

HILLSDALE COUNTY, MICHIGAN
30-0000
FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2003
AND INDEPENDENT AUDITORS' REPORT

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Layton & Richardson, P.C.
Certified Public Accountants

AUDITING PROCEDURES REPORT

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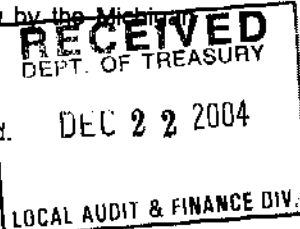
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>County of Hillsdale, Michigan</i>	County <i>Hillsdale</i>
Audit Date <i>12-31-03</i>	Opinion Date <i>5-14-04</i>	Date Accountant Report Submitted to State: <i>12-17-04</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).	<input checked="" type="checkbox"/>		
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>		

Certified Public Accountant (Firm Name) <i>Layton & Richardson, P.C.</i>			
Street Address <i>1000 Coolidge Road</i>	City <i>East Lansing</i>	State <i>MI</i>	ZIP <i>48820</i>
Accountant Signature <i>David R. Crouch, CPA</i>			

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
of Hillsdale County
Hillsdale, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hillsdale, Michigan as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the County of Hillsdale, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hillsdale County Road Commission and the County Park Fund. The Hillsdale County Road Commission and the County Park Fund represent 94% and 0.9% of the assets and 95% and 0.6% of the revenues, respectively, of the component unit fund type. Those financial statements were audited by another auditor whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hillsdale County Road Commission and the County Park Funds is based solely on the report of the other auditor.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hillsdale, Michigan as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the financial statements, the County of Hillsdale, Michigan adopted the provision of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* and GASB 38, *Certain Financial Statement Notes Disclosures*, as of January 1, 2003.

The management's discussion and analysis and the required supplementary information on pages 3 through 5 are not a required part of the basic financial statement but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Hillsdale, Michigan's basic financial statements. The accompanying introductory section and supplemental financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Hillsdale, Michigan. The supplemental financial information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 14, 2004 on our consideration of the County of Hillsdale, Michigan's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report considering the results of our audit.

Layton & Richardson, P.C.

Certified Public Accountants

East Lansing, Michigan
May 14, 2004

HILLSDALE COUNTY TREASURER

Gary A. Leininger
29 North Howell St.
Hillsdale, Michigan 49242
517-437-4700



Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

The County as a Whole

The County's combined net assets decreased 1.8% from a year ago – decreasing from \$6.45 million to \$6.34 million. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase of approximately \$572 thousand during the year (26.9% increase). This was the result of several factors including an increase in tax revenue of approximately \$346 thousand and increases in reimbursements and other revenue. Those increases were reduced by a reduction in State Revenue Sharing, lower interest income due to lower market interest rates and a twenty (20) percent increase in health insurance costs for employees (the third year in a row for 20% premium increases). The business-type activities experienced a \$670 thousand decrease in net assets (15.5%), as a result of an 11.25% reduction in revenue from the Inspection Department due to a slow down in commercial building projects; and a 14.3% lower intergovernmental transfer from the State of Michigan to the Medical Care Facility and increases in labor costs, health insurance and workers compensation reinsurance at the Medical Care Facility. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date (the prior year is not available in this year of implementation of GASB 34):

	Governmental Activities		Business Type Activities		Total	
	2002	2003	2002	2003	2002	2003
Current Assets		4,384		5,354		9,738
Noncurrent Assets		4,025		4,184		8,209
Total Assets		8,409		9,538		17,947
Long-Term Debt Outstanding		4,030		2,335		6,365
Other Liabilities		1,681		3,565		5,246
Total Liabilities		5,711		5,900		11,611
Net Assets						
Invested in Capital Assets-Net of Debt		2,465		2,209		4,674
Restricted				118		118
Unrestricted (Deficit)		233		1,312		1,545
Total Net Assets	2,126	2,698	4,325	3,639	6,451	6,337

Unrestricted net assets--the part of net assets that can be used to finance day to day operations, increased by approximately \$570,000 for the governmental activities. This represents an increase of approximately 26%. The current level of unrestricted net assets for our governmental activities is \$232,745.

The following table shows the changes of the net assets (in thousands of dollars) as of the current date (the prior year is not available in this year of implementation of GASB 34):

	Governmental Activities		Business Type Activities		Total	
	2002	2003	2002	2003	2002	2003
Program Revenues						
Charges for Services		1,747		9,919		11,666
Operating Grants and Contributions		1,790		66		1,856
Capital Grants and Contributions		467				467
General Revenues						
Property Taxes levied for general purposes		6,817				6,817
Property Taxes levied for special purposes				577		577
Proportionate Share Revenue				234		
Fines and Forfeitures		479				479
Reimbursements and Refunds		613				613
Miscellaneous		579		439		1,018
Unrestricted Investment Earnings		174		392		566
Transfers and Other Revenue		435		(435)		
Total Revenues		13,101		11,192		24,293
Program Expenses						
General Government		1,315				1,315
Legislative		131				131
Judicial		2,070				2,070
Public Safety		3,816				3,816
Public Works		18				18
Retirement		295				295
Insurance Claims		129				129
Health and Welfare		1,912				1,912
Appropriations		657				657
Other		1,988				1,988
Interest on Long-Term Debt		198				198
Medical Care Facility Operations				10,906		
Emergency Services				742		742
Geographic Information Services				100		100
Delinquent Tax Collection				114		114
Total Expenses		12,529		11,862		24,391
Change in Net Assets		572		(670)		(98)

Governmental Activities

The County's total governmental revenues increased by approximately \$615 thousand, primarily due to the increase in tax revenue of approximately \$346 thousand and increases in reimbursements and other revenue.

Expenses increased by about \$670 thousand during the year. Increases in Public Safety (\$505 thousand), Judicial (\$162 thousand) and Appropriations (\$179 thousand) contributed to that increase.

Business-Type Activities

The County's business-type activities consist of the Medical Care Facility, E-911 Emergency Fund and the Tax Payment funds. The revenues and expenses in E-911 Emergency Fund and the Tax Payment funds increased \$88 thousand and \$17 thousand, respectively. Medical Care Facility charges for services decreased approximately \$3 million and Medical Care Facility expenses decreased by approximately \$2.3 million.

The County's Funds

Our analysis of the County's major funds begins on page 12, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the County as a whole. The County Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2003 include the General Fund and the Improvement Fund.

The General Fund pays for most of the County's governmental services. The most significant are public safety and judicial, which incurred expenses of approximately \$2.7 million and \$2.1 million, respectively, in 2003. These two services are partially supported by State/Federal grants with the remaining cost funded by other general revenue sources of the General Fund.

General Fund Budgetary Highlights

The year ended December 31, 2003 was the first year since 1992 that the General Fund spent more than the revenue for the year. Over the course of the year, the County Board amended the budget to take into account events during the year. The most significant change was to increase the health insurance costs for employees by \$314,000. This was the third year in a row for 20% plus premium increases. County departments overall stayed below budget, resulting in total expenditures \$177,000 below budget. This allowed the General Fund's fund balance to only decrease \$41,815 from \$2,014,355 a year ago to \$1,972,540 at December 31, 2003.

Capital Asset and Debt Administration

At the end of 2003, the County had \$7,528,116 invested in a broad range of capital assets, including buildings and police and other equipment.

Economic Factors and Next Year's Budgets and Rates

The County's budget for 2004 takes into consideration several limiting factors which will result in delayed capital outlay and little or no room for new or expanded services in the County. Equipment purchases will be limited to only essential needs in the next couple of years. Some of the factors affecting the 2004 budget are the current Michigan economy, continued increases in the cost of employee health insurances, reductions in State shared revenue, and increases needed in the Probate Child Care Fund.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the County Treasurer's office.

GENERAL PURPOSE FINANCIAL STATEMENTS - OVERVIEW

The government-wide financial statements provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow.

HILLSDALE COUNTY, MICHIGAN

STATEMENT OF NET ASSETS

DECEMBER 31, 2003

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash and cash equivalents	\$	\$ 764,387	\$ 764,387	\$ 700,735
Investments	2,918,143	1,255,000	4,173,143	
Receivables				
Interest	26,436		26,436	452
Taxes		1,618,020	1,618,020	282,895
Accounts	503,051	824,884	1,327,935	32,181
Other current assets	4,677	85,354	90,031	3,769
Advances to other funds	357,968		357,968	
Due from				
Other funds	573,459	636,483	1,209,942	
Other governmental units				866,982
Inventory				741,702
Deferred expense - federal and state aid				3,475
Designated assets-cash		169,727	169,727	
Fixed assets (net of accumulated depreciation)	4,025,139	4,184,127	8,209,266	29,247,523
TOTAL ASSETS	<u>\$ 8,408,873</u>	<u>\$ 9,537,982</u>	<u>\$ 17,946,855</u>	<u>\$ 31,879,714</u>
LIABILITIES				
Current liabilities				
Payables				
Accounts	\$ 101,394	\$ 305,830	\$ 407,224	\$ 114,656
Payroll and payroll taxes	39,322	704,113	743,435	
Due to				
Other units	51,000		51,000	
Other funds	1,122,240	87,702	1,209,942	700,607
Patient trust liability		13,678	13,678	
Accrued interest	32,943		32,943	
Accrued liabilities		215,454	215,454	226,988
Escrow deposits				9,150
Advances and deferred revenue		697,994	697,994	201,756
Notes payable - short term				53,944
Bonds and notes payable	334,000	1,540,000	1,874,000	76,596
Accrued compensated absences				66,780
Noncurrent liabilities				
Bonds and notes payable	3,914,000	2,335,000	6,249,000	34,372
Accrued compensated absences	116,090		116,090	267,126
TOTAL LIABILITIES	<u>5,710,989</u>	<u>5,899,771</u>	<u>11,610,760</u>	<u>1,751,975</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,465,139	2,209,127	4,674,266	29,247,523
Restricted by statute		117,557	117,557	
Reserved for advances	357,967		357,967	
Unrestricted	(125,222)	1,311,527	1,186,305	880,216
TOTAL NET ASSETS	<u>2,697,884</u>	<u>3,638,211</u>	<u>6,336,095</u>	<u>30,127,739</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,408,873</u>	<u>\$ 9,537,982</u>	<u>\$ 17,946,855</u>	<u>\$ 31,879,714</u>

See accompanying notes to financial statements.

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Governmental activities			
General government	\$ 1,314,698	\$ 1,103,726	\$ 1,403,386
Legislative	131,093		
Judicial	2,069,673		
Public safety	3,816,241	483,105	301,555
Public works	18,244		
Retirement	295,228		
Insurance claims	128,833		
Health and welfare	1,911,702	160,251	85,017
Appropriations	656,911		
Other	1,988,441		
Interest on long-term debt	198,486		
Total governmental activities	<u>12,529,550</u>	<u>1,747,082</u>	<u>1,789,958</u>
Business-type activities			
Medical Care Facility operations	10,905,578	9,326,789	
Emergency services	742,001	591,764	5,907
Geographic information services	100,344		59,597
Delinquent tax collection	113,855		
Total business-type activities	<u>11,861,778</u>	<u>9,918,553</u>	<u>65,504</u>
Total primary government	\$ <u>24,391,328</u>	\$ <u>11,665,635</u>	\$ <u>1,855,462</u>
Component units			
Parks Commission	\$ 81,352	\$ 15,671	\$ 26,900
Road Commission	6,560,261	1,425,956	5,242,960
Drainage Districts	70,408	63,430	
Total Component Units	\$ <u>6,712,021</u>	\$ <u>1,505,057</u>	\$ <u>5,269,860</u>

General revenues
Property taxes levied for general purposes
Property taxes levied for special purpose
Proportionate share revenue
Fines and forfeitures
Reimbursements and refunds
Miscellaneous
Unrestricted investment earnings
Gain on sale of capital assets
Transfers

Total general revenues and transfers

Change in net assets

Net assets, January 1

Prior period adjustment

Net assets, December 31

See accompanying notes to financial statements.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	
\$	\$ 1,192,414	\$	\$ 1,192,414	\$
	(131,093)		(131,093)	
	(2,069,673)		(2,069,673)	
	(3,031,581)		(3,031,581)	
467,100	448,856		448,856	
	(295,228)		(295,228)	
	(128,833)		(128,833)	
	(1,666,434)		(1,666,434)	
	(656,911)		(656,911)	
	(1,988,441)		(1,988,441)	
	(198,486)		(198,486)	
<u>467,100</u>	<u>(8,525,410)</u>		<u>(8,525,410)</u>	
		(1,578,789)	(1,578,789)	
		(144,330)	(144,330)	
		(40,747)	(40,747)	
		(113,855)	(113,855)	
		(1,877,721)	(1,877,721)	
\$ <u>467,100</u>	<u>(8,525,410)</u>	<u>(1,877,721)</u>	<u>(10,403,131)</u>	
\$ 1,400				(37,381)
547,903				656,558
				(6,978)
\$ <u>549,303</u>				<u>612,199</u>
	6,817,265		6,817,265	289,792
		576,648	576,648	
		234,303	234,303	
	478,672		478,672	
	613,248		613,248	
	579,380	439,310	1,018,690	
	173,856	392,454	566,310	25,529
				85,000
	435,000	(435,000)		
	9,097,421	1,207,715	10,305,136	400,321
	572,011	(670,006)	(97,995)	1,012,520
	2,125,873	4,325,336	6,451,209	1,434,797
		(17,119)	(17,119)	27,680,422
\$ <u>2,697,884</u>	<u>\$ 3,638,211</u>	<u>\$ 6,336,095</u>	<u>\$ 30,127,739</u>	

HILLSDALE COUNTY, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2003

	GENERAL	IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Investments	\$ 2,321,494	\$ 590,000	\$ 6,649	\$ 2,918,143
Advances to Revolving Drain Fund	339,488			339,488
Advances to Lake Level Revolving Fund	18,479			18,479
Due from other funds		205,975	327,208	533,183
Accounts receivable	492,583		10,468	503,051
Interest receivable	26,436			26,436
Prepaid expenses	2,813		1,865	4,678
TOTAL ASSETS	<u>\$ 3,201,293</u>	<u>\$ 795,975</u>	<u>\$ 346,190</u>	<u>\$ 4,343,458</u>
LIABILITIES AND EQUITY -				
LIABILITIES				
Accounts payable	\$ 71,198	\$	\$ 30,196	\$ 101,394
Due to other funds	1,122,240			1,122,240
Due to state of Michigan			51,000	51,000
Accrued payroll	35,315		4,007	39,322
TOTAL LIABILITIES	<u>1,228,753</u>		<u>85,203</u>	<u>1,313,956</u>
EQUITY				
Fund balance				
Reserved for advances to Revolving Drain Fund	339,488			339,488
Lake Level Revolving Fund	18,479			18,479
Reserved for building inspection	18,136			18,136
Reserved for family counseling	3,871			3,871
Reserved for debt service			809	809
Unreserved - undesignated reported in				
General fund	1,592,566			1,592,566
Special revenue funds		795,975	251,185	1,047,160
Capital project funds			6,332	6,332
Permanent funds			2,661	2,661
TOTAL EQUITY	<u>1,972,540</u>	<u>795,975</u>	<u>260,987</u>	<u>3,029,502</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 3,201,293</u>	<u>\$ 795,975</u>	<u>\$ 346,190</u>	<u>\$ 4,343,458</u>

See accompanying notes to financial statements.

HILLSDALE COUNTY, MICHIGAN
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2003

Total fund balances for governmental funds		\$ 3,029,502
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land	\$ 330,003	
Buildings and improvements	5,396,229	
Vehicles and equipment	902,479	
Accumulated depreciation	<u>(2,603,572)</u>	4,025,139
Internal service funds are used by management to charge costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		40,276
Accrued vacation and sick time earned by eligible employees is not payable in the current period and therefore is not reported in the funds. However, these amounts are included in the Statement of Net Assets.		(116,090)
Long-term obligations are not due and payable in the current period and therefore not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement.		
Bonds and notes payable	(4,248,000)	
Accrued interest payable	<u>(32,943)</u>	<u>(4,280,943)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$ <u>2,697,884</u>

See accompanying notes to financial statements.

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	GENERAL	IMPROVEMENT	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
REVENUES				
Taxes	\$ 6,093,224	\$ 9,700	\$ 714,341	\$ 6,817,265
Licenses and permits	108,024			108,024
Federal/state grants	1,403,386		386,572	1,789,958
Contributions from local units			467,100	467,100
Fines and forfeits	454,997		23,675	478,672
Charges for services	995,702		643,356	1,639,058
Interest on investments	142,238	34,045	726	177,009
Other	177,505	1,000	15,386	193,891
Reimbursements and refunds	613,248			613,248
TOTAL REVENUES	<u>9,988,324</u>	<u>44,745</u>	<u>2,251,156</u>	<u>12,284,225</u>
EXPENDITURES				
Legislative	131,093			131,093
Judicial	2,058,662		11,011	2,069,673
General government	1,735,833			1,735,833
Public safety	2,663,127	264,549	881,902	3,809,578
Public works	18,244			18,244
Health and welfare	214,983		1,651,951	1,866,934
Capital outlay	243,442		7,303	250,745
Appropriations	656,911			656,911
Debt service			312,000	312,000
Principal			196,309	196,309
Interest and fiscal charges				1,988,441
Other	1,988,441			
TOTAL EXPENDITURES	<u>9,710,736</u>	<u>264,549</u>	<u>3,060,476</u>	<u>13,035,761</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>277,588</u>	<u>(219,804)</u>	<u>(809,320)</u>	<u>(751,536)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	510,103		773,665	1,283,768
Operating transfers out	(829,506)		(19,262)	(848,768)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(319,403)</u>		<u>754,403</u>	<u>435,000</u>
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(41,815)</u>	<u>(219,804)</u>	<u>(54,917)</u>	<u>(316,536)</u>
FUND BALANCE, JANUARY 1	<u>2,014,355</u>	<u>1,015,779</u>	<u>315,904</u>	<u>3,346,038</u>
FUND BALANCE, DECEMBER 31	<u>\$ 1,972,540</u>	<u>\$ 795,975</u>	<u>\$ 260,987</u>	<u>\$ 3,029,502</u>

See accompanying notes to financial statements.

HILLSDALE COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2003

Net change in fund balance - total governmental funds \$ (316,536)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 913,292	
Depreciation expense	<u>(325,794)</u>	587,498

Internal service funds are used by management to charge costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities in the Statement of Activities.

(41,725)

Bond proceeds provide current financial resources to the governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets. This is the amount proceeds exceed repayments.

Repayment of bond principal		312,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in long-term accrued compensated absences	32,951	
Change in accrued interest on long-term debt	<u>(2,177)</u>	<u>30,774</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 572,011

See accompanying notes to financial statements.

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes	\$ 5,962,100	\$ 5,974,100	\$ 6,093,224	\$ 119,124
Licenses and permits	153,500	153,500	108,024	(45,476)
Federal/state grants	1,472,702	1,472,702	1,403,386	(69,316)
Fines and forfeits	442,200	442,200	454,997	12,797
Charges for services	872,450	1,020,450	995,702	(24,748)
Interest on investments	115,000	115,000	142,238	27,238
Other	174,755	174,755	177,505	2,750
Reimbursements and refunds	529,434	576,434	613,248	36,814
TOTAL REVENUES	<u>9,722,141</u>	<u>9,929,141</u>	<u>9,988,324</u>	<u>59,183</u>
EXPENDITURES				
Legislative	137,850	148,850	131,093	17,757
Judicial	2,102,032	2,106,532	2,058,662	47,870
General government	1,949,300	1,825,691	1,735,833	89,858
Public safety	2,705,424	2,779,924	2,663,127	116,797
Public works	18,993	18,993	18,244	749
Health and welfare	184,889	184,889	214,983	(30,094)
Capital outlay	192,560	247,560	243,442	4,118
Appropriations	523,616	555,806	656,911	(101,105)
Other	1,871,855	2,019,355	1,988,441	30,914
TOTAL EXPENDITURES	<u>9,686,519</u>	<u>9,887,600</u>	<u>9,710,736</u>	<u>176,864</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>35,622</u>	<u>41,541</u>	<u>277,588</u>	<u>236,047</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	510,000	510,000	510,103	103
Operating transfers out	(804,849)	(954,849)	(829,506)	125,343
TOTAL OTHER FINANCING SOURCES (USES)	<u>(294,849)</u>	<u>(444,849)</u>	<u>(319,403)</u>	<u>125,446</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(259,227)</u>	<u>(403,308)</u>	<u>(41,815)</u>	<u>361,493</u>
FUND BALANCE, JANUARY 1	<u>1,206,074</u>	<u>2,014,355</u>	<u>2,014,355</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 946,847</u>	<u>\$ 1,611,047</u>	<u>\$ 1,972,540</u>	<u>\$ 361,493</u>

See accompanying notes to financial statements.

HILLSDALE COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET TO ACTUAL

IMPROVEMENT FUND

FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Other revenues	\$	\$	\$ 10,700	\$ 10,700
Interest on investments	<u>25,000</u>	<u>25,000</u>	<u>34,045</u>	<u>9,045</u>
TOTAL REVENUES	<u>25,000</u>	<u>25,000</u>	<u>44,745</u>	<u>19,745</u>
EXPENDITURES				
Public safety	<u>400,000</u>	<u>400,000</u>	<u>264,549</u>	<u>135,451</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(375,000)	(375,000)	(219,804)	155,196
FUND BALANCE, JANUARY 1	<u>1,025,657</u>	<u>1,015,779</u>	<u>1,015,779</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 650,657</u>	<u>\$ 640,779</u>	<u>\$ 795,975</u>	<u>\$ 155,196</u>

See accompanying notes to financial statements.

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2003

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS</u>	
	<u>MEDICAL CARE FACILITY</u>	<u>E-911 EMERGENCY</u>
CURRENT ASSETS	\$ 262,952	\$ 100,000
Cash and cash equivalents		
Investments	605,650	
Taxes receivable	399,438	
Due from other funds	750,078	36,289
Accounts receivable -	85,019	40
Other current assets		
TOTAL CURRENT ASSETS	<u>2,103,137</u>	<u>136,329</u>
DESIGNATED ASSETS - CASH	<u>169,727</u>	
PROPERTY, PLANT AND EQUIPMENT	7,510,938	687,626
Property, plant and equipment	(3,518,515)	(495,922)
Less: accumulated depreciation		
NET PROPERTY, PLANT, AND EQUIPMENT	<u>3,992,423</u>	<u>191,704</u>
TOTAL ASSETS	<u>\$ 6,265,287</u>	<u>\$ 328,033</u>
LIABILITIES AND EQUITY		
LIABILITIES	\$ 696,220	\$ 3,710
Accrued payroll	278,463	10,066
Accounts payable	13,678	
Patient trust liability	215,454	
Other accrued liabilities		
Deferred proportionate share reimbursement revenue	92,344	
Deferred tax revenue	605,650	
Due to other funds		1,161
Notes payable	<u>1,975,000</u>	
TOTAL LIABILITIES	<u>3,876,809</u>	<u>14,937</u>
EQUITY		
Net assets		
Restricted by statute	<u>2,388,478</u>	<u>313,096</u>
Unrestricted	<u>2,388,478</u>	<u>313,096</u>
TOTAL NET ASSETS	<u>6,265,287</u>	<u>328,033</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 6,265,287</u>	<u>\$ 328,033</u>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
2001 TAX PAYMENT	2002 TAX PAYMENT	OTHER ENTERPRISE FUNDS	TOTAL	
\$	\$	\$	\$	\$
750,000	75,936	425,499	764,387	
134,515	405,000		1,255,000	
	877,855		1,618,020	
	237,045		636,483	40,276
	1,249	37,268	824,884	
		295	85,354	
<u>884,515</u>	<u>1,597,085</u>	<u>463,062</u>	<u>5,184,128</u>	<u>40,276</u>
			169,727	
			8,198,564	
			(4,014,437)	
			4,184,127	
<u>\$ 884,515</u>	<u>\$ 1,597,085</u>	<u>\$ 463,062</u>	<u>\$ 9,537,982</u>	<u>\$ 40,276</u>
\$	\$	\$	\$	\$
10,040	5,891	4,183	704,113	
		1,370	305,830	
			13,678	
			215,454	
			92,344	
86,541			605,650	
450,000	1,450,000		87,702	
<u>546,581</u>	<u>1,455,891</u>	<u>5,553</u>	<u>3,875,000</u>	
			5,899,771	
		117,557	117,557	
337,934	141,194	339,952	3,520,654	40,276
337,934	141,194	457,509	3,638,211	40,276
<u>\$ 884,515</u>	<u>\$ 1,597,085</u>	<u>\$ 463,062</u>	<u>\$ 9,537,982</u>	<u>\$ 40,276</u>

HILLSDALE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	MEDICAL CARE FACILITY	E-911 EMERGENCY
OPERATING REVENUES		
Net patient revenue	\$ 9,326,789	\$
Proportionate share revenue	234,303	
Telephone surcharges		591,764
Township shared cost revenue		5,907
Other	97,286	
Interest on taxes		
TOTAL OPERATING REVENUES	<u>9,658,378</u>	<u>597,671</u>
OPERATING EXPENSES		
Operating	<u>10,813,293</u>	<u>741,585</u>
OPERATING INCOME (LOSS)	<u>(1,154,915)</u>	<u>(143,914)</u>
NONOPERATING REVENUES (EXPENSES)		
Property tax revenue	576,648	
Interest on investments	30,753	
Interest expense	<u>(92,285)</u>	
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>515,116</u>	
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(639,799)</u>	<u>(143,914)</u>
OPERATING TRANSFERS		
Transfers in		
Transfers out		
TOTAL OPERATING TRANSFERS	<u>(639,799)</u>	<u>(143,914)</u>
NET INCOME (LOSS)		
PRIOR PERIOD ADJUSTMENT		
NET ASSETS, JANUARY 1	<u>3,028,277</u>	<u>457,010</u>
NET ASSETS, DECEMBER 31	\$ <u><u>2,388,478</u></u>	\$ <u><u>313,096</u></u>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
2001 TAX PAYMENT	2002 TAX PAYMENT	OTHER ENTERPRISE FUNDS	TOTAL	
\$	\$	\$	\$	\$
			9,326,789	
			234,303	
			591,764	
		59,597	65,504	
127,138	85,084	129,802	439,310	385,489
148,672	85,126	112,272	346,070	
275,810	170,210	301,671	11,003,740	385,489
24,763	16,138	128,497	11,724,276	424,061
251,047	154,072	173,174	(720,536)	(38,572)
			576,648	
11,744	3,887		46,384	(3,153)
(28,452)	(16,765)		(137,502)	
(16,708)	(12,878)		485,530	(3,153)
234,339	141,194	173,174	(235,006)	(41,725)
		75,000	75,000	
		(510,000)	(510,000)	
		(435,000)	(435,000)	
234,339	141,194	(261,826)	(670,006)	(41,725)
(11,119)		(6,000)	(17,419)	
114,714		725,335	4,325,336	82,001
\$ 337,934	\$ 141,194	\$ 457,509	\$ 3,638,211	\$ 40,276

HILLSDALE COUNTY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	MEDICAL CARE FACILITY	E-911 EMERGENCY
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments from patients and third party payors	\$ 9,351,970	\$
Payments from proportionate share revenue	185,764	
Telephone surcharge collections		632,436
Payments received from other units		5,907
Payments to employees and suppliers	(10,450,636)	(683,055)
Insurance claims	97,286	
Other receipts		
Delinquent tax collections		
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(815,616)</u>	<u>(44,712)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in		
Transfers out		
Property tax receipts	576,648	
Tax notes issued		
Payments on tax notes payable		
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>576,648</u>	<u></u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital acquisitions	(678,644)	(32,835)
Interest payments on long-term debt	(92,285)	
Principal payments on long-term debt	(85,000)	
NET CASH PROVIDED BY (USED IN) CAPITAL FINANCING ACTIVITIES	<u>(855,929)</u>	<u>(32,835)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments		50,000
Sale of investments		
Patient trust deposits (withdrawals)	(3,064)	
Interest income	30,753	
Interest payments on tax notes payable		
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>27,689</u>	<u>50,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,067,208)</u>	<u>(27,547)</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>1,499,887</u>	<u>27,547</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 432,679</u>	<u>\$</u>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
2001 TAX PAYMENT	2002 TAX PAYMENT	OTHER PROPRIETARY FUNDS	TOTAL	INTERNAL SERVICE FUNDS
\$	\$	\$	\$	\$
			9,351,970	
			185,764	
		59,597	692,033	
		3,437	9,344	
(14,723)	(18,872)	(188,218)	(11,355,504)	(295,228)
			97,286	(128,833)
1,197,618	(937,314)	409,961	670,265	345,213
1,182,895	(956,186)	284,777	(348,842)	(78,848)
		75,000	75,000	
		(510,000)	(510,000)	
	1,450,000		576,648	
(950,000)		(500,000)	1,450,000	
			(1,450,000)	
(950,000)	1,450,000	(935,000)	141,648	
			(711,479)	
			(92,285)	
			(85,000)	
			(888,764)	
(250,000)	(405,000)		(655,000)	
		750,000	800,000	
11,744	3,887		(3,064)	(3,153)
(39,571)	(16,765)	(12,020)	46,384	
			(68,356)	
(277,827)	(417,878)	737,980	119,964	(3,153)
(44,932)	75,936	87,757	(975,994)	(82,001)
44,932		337,742	1,910,108	82,001
\$	\$	\$	\$	\$
	75,936	425,499	934,114	

HILLSDALE COUNTY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - Concluded
FOR THE YEAR ENDED DECEMBER 31, 2003

	BUSINESS-TYPE ACTIVITIES	
	ENTERPRISE FUNDS	
	MEDICAL CARE FACILITY	E-911 EMERGENCY
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Operating income (loss)	\$ <u>(1,154,915)</u>	\$ <u>(143,914)</u>
Adjustments to reconcile net income to net		
cash provided by operating activities:		
Depreciation	253,177	57,129
Provision for bad debts	361,367	
Change in assets and liabilities:		
(Increase) decrease in delinquent taxes receivable		45,135
(Increase) decrease in accounts receivable	(336,186)	3,763
(Increase) decrease in other assets	8,309	
Decrease in due from State of Michigan		1,566
Increase in accounts-payable	44,758	(9,552)
Decrease in accrued payroll	56,413	
Decrease in accrued interest		
Decrease in deferred revenue-proportionate share	(48,539)	
Increase (decrease) in due to other funds		1,161
TOTAL ADJUSTMENTS	<u>339,299</u>	<u>99,202</u>
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	\$ <u><u>(815,616)</u></u>	\$ <u><u>(44,712)</u></u>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
2001 TAX PAYMENT	2002 TAX PAYMENT	OTHER PROPRIETARY FUNDS	TOTAL	INTERNAL SERVICE FUNDS
\$ 251,047	\$ 154,072	\$ 173,174	\$ (720,536)	\$ (38,572)
			310,306	
			361,367	
835,267	(877,855)	168,452	125,864	
	(1,249)		(292,300)	
		(295)	11,777	
		2,872	2,872	
10,040	5,891	5,299	67,554	
			46,861	
		6,020	6,020	
			(48,539)	
86,541	(237,045)	(70,745)	(220,088)	(40,276)
931,848	(1,110,258)	111,603	371,694	(40,276)
\$ 1,182,895	\$ (956,186)	\$ 284,777	\$ (348,842)	\$ (78,848)

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2003

ASSETS		\$ <u>1,034,643</u>
Cash and cash equivalents		
LIABILITIES AND NET ASSETS		
LIABILITIES		\$
Accounts payable		166,863
Due to state of Michigan		274,957
Due to federal government		39,279
Due to other taxing units		(111,152)
Undistributed tax collections		409,276
Bonds and deposits		152,056
Undistributed penal fines		<u>103,364</u>
TOTAL LIABILITIES		\$ <u>1,034,643</u>

See accompanying notes to financial statements.

HILLSDALE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SUMMARY
DECEMBER 31, 2003

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPTIAL PROJECT FUNDS	PERMANENT FUNDS	TOTAL
ASSETS					
Investments	\$ 4,549	\$	\$	\$ 2,100	\$ 6,649
Accounts receivable	10,468				10,468
Due from other funds	319,506	809	6,332	561	327,208
Prepaid expenses	1,865				1,865
TOTAL ASSETS	\$ 336,388	\$ 809	\$ 6,332	\$ 2,661	\$ 346,190
LIABILITIES AND EQUITY					
LIABILITIES					
Accounts payable	\$ 30,196	\$	\$	\$	\$ 30,196
Due to state of Michigan	51,000				51,000
Accrued payroll	4,007				4,007
TOTAL LIABILITIES	85,203				85,203
EQUITY					
Fund balance					
Reserved - for debt service		809			809
Unreserved - undesignated	251,185		6,332	2,661	260,178
TOTAL EQUITY	251,185	809	6,332	2,661	260,987
TOTAL LIABILITIES AND EQUITY	\$ 336,388	\$ 809	\$ 6,332	\$ 2,661	\$ 346,190

See accompanying notes to financial statements.

HILLSDALE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2003

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS	PERMANENT FUNDS	TOTAL
REVENUES					
Taxes	\$ 714,341	\$	\$	\$	\$ 714,341
Federal/state grants	386,572				386,572
Contributions from local units		463,177	3,923		467,100
Fines and forfeits	23,675				23,675
Charges for services	643,356				643,356
Interest on investments	591	72	59	4	726
Other	15,386				15,386
TOTAL REVENUES	<u>1,783,921</u>	<u>463,249</u>	<u>3,982</u>	<u>4</u>	<u>2,251,156</u>
EXPENDITURES					
Judicial	11,011				11,011
Public safety	881,902				881,902
Health and welfare	1,651,951				1,651,951
Capital outlay			7,303		7,303
Debt service					
Principal		312,000			312,000
Interest and fiscal charges		196,309			196,309
TOTAL EXPENDITURES	<u>2,544,864</u>	<u>508,309</u>	<u>7,303</u>		<u>3,060,476</u>
EXCESS (DEFICIENCY)					
OF REVENUES					
OVER EXPENDITURES	<u>(760,943)</u>	<u>(45,060)</u>	<u>(3,321)</u>	<u>4</u>	<u>(809,320)</u>
OTHER FINANCING					
SOURCES (USES)					
Operating transfers in	728,723	44,942			773,665
Operating transfers out	(19,262)				(19,262)
TOTAL OTHER FINANCING					
SOURCES (USES)	<u>709,461</u>	<u>44,942</u>			<u>754,403</u>
EXCESS (DEFICIENCY)					
OF REVENUES AND					
OTHER SOURCES					
OVER EXPENDITURES					
AND OTHER USES	(51,482)	(118)	(3,321)	4	(54,917)
FUND BALANCE, JANUARY 1	<u>302,667</u>	<u>927</u>	<u>9,653</u>	<u>2,657</u>	<u>315,904</u>
FUND BALANCE, DECEMBER 31	<u>\$ 251,185</u>	<u>\$ 809</u>	<u>\$ 6,332</u>	<u>\$ 2,661</u>	<u>\$ 260,987</u>

See accompanying notes to financial statements.

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF NET ASSETS - DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2003

	HILLSDALE COUNTY PARKS COMMISSION	HILLSDALE COUNTY ROAD COMMISSION	DRAINAGE DISTRICTS	TOTAL
ASSETS				
Cash and cash equivalents	\$ 47,667	\$ 188,656	\$ 464,412	\$ 700,735
Receivables				
Interest	43	409		452
Michigan transportation funds		775,723		775,723
Due on county road agreements		91,259		91,259
Accounts		32,181		32,181
Taxes-special assessments			282,895	282,895
Prepaid expenses		3,769		3,769
Deferred expense - Federal and State aid		3,475		3,475
Inventory		741,702		741,702
Fixed assets (net of accumulated depreciation)	246,255	28,271,838	729,430	29,247,523
TOTAL ASSETS	<u>\$ 293,965</u>	<u>\$ 30,109,012</u>	<u>\$ 1,476,737</u>	<u>\$ 31,879,714</u>
LIABILITIES				
Current liabilities				
Payables				
Accounts	\$ 9,477	\$ 105,179	\$	\$ 114,656
Due to other funds			700,607	700,607
Accrued liabilities	1,353	225,635		226,988
Escrow deposits		9,150		9,150
Advances and deferred revenue	2,895	198,861		201,756
Notes payable, short-term		53,944		53,944
Compensated absences - current portion		66,780		66,780
Bonds and notes payable			76,596	76,596
Noncurrent liabilities				
Bonds and notes payable			34,372	34,372
Compensated absences		267,126		267,126
TOTAL LIABILITIES	<u>13,725</u>	<u>926,675</u>	<u>811,575</u>	<u>1,751,975</u>
NET ASSETS				
Invested in capital assets, net of related debt	246,255	28,271,838	729,430	29,247,523
Unrestricted	33,985	910,499	(64,268)	880,216
TOTAL NET ASSETS	<u>280,240</u>	<u>29,182,337</u>	<u>665,162</u>	<u>30,127,739</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 293,965</u>	<u>\$ 30,109,012</u>	<u>\$ 1,476,737</u>	<u>\$ 31,879,714</u>

See accompanying notes to financial statements.

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES - DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2003

	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS			
Parks Commission	\$ 81,352	\$ 15,671	\$ 26,900
Road Commission	6,560,261	1,425,956	5,242,960
Drainage Districts	70,408	63,430	
Total primary government	\$ <u>6,712,021</u>	\$ <u>1,505,057</u>	\$ <u>5,269,860</u>
General revenues			
Property taxes levied for special purposes			
Unrestricted investment earnings			
Gain on sale of capital assets			
Total general revenues and transfers			
Change in net assets			
Net assets, January 1			
Prior period adjustment			
Net assets, December 31			

See accompanying notes to financial statements.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	PARKS COMMISSION	ROAD COMMISSION	DRAINAGE DISTRICTS	TOTAL
\$ 1,400	\$ (37,381)	\$	\$	\$ (37,381)
547,903		656,558		656,558
			(6,978)	(6,978)
<u>\$ 549,303</u>	<u>(37,381)</u>	<u>656,558</u>	<u>(6,978)</u>	<u>612,199</u>
			289,792	289,792
	1,073	17,714	6,742	25,529
		85,000		85,000
	<u>1,073</u>	<u>102,714</u>	<u>296,534</u>	<u>400,321</u>
	(36,308)	759,272	289,556	1,012,520
	72,078	1,277,210	85,509	1,434,797
	<u>244,470</u>	<u>27,145,855</u>	<u>290,097</u>	<u>27,680,422</u>
	<u>\$ 280,240</u>	<u>\$ 29,182,337</u>	<u>\$ 665,162</u>	<u>\$ 30,127,739</u>

HILLSDALE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All funds and account groups under direct control of Hillsdale County are included in this report.

The funds and account groups which have been included in this report are those which meet the criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include governing body, legal entity, and fiscal independence or dependence.

Blended Component Units

A blended component unit is a legally separate entity from the Local Governmental Unit, but is so intertwined with the Unit that it is, in substance, the same as the Local Governmental Unit. It is reported as part of the Local Governmental Unit and blended into the appropriate fund types and account groups.

Hillsdale County Medical Care Facility

The Hillsdale County Medical Care Facility provides skilled long-term care to residents of the County and is not considered legally separate from the County; therefore, it has been included in the County's basic financial statements as an Enterprise Fund. The complete financial statements may be obtained by contacting:

Hillsdale County Medical Care Facility
140 W. Mechanic Street
Hillsdale, MI 49242
(517) 439-9341

Building Authority

The Hillsdale County Building Authority is governed by a five member board appointed by the Hillsdale County Board of Commissioners. Although it is legally separate from Hillsdale County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

Department of Public Works

Pursuant to Act 185 of 1957 (MCL 123.732, as amended) the County entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the County Board of Commissioners and under the immediate control of a Board of Public Works which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The Board manages water supply and sanitary sewer system construction projects that are bonded by the County. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the County Board of Commissioners.

Discretely Presented Component Units

The following component units are reported within the "component units" column in the combined financial statements. The discretely presented component unit is an entity that is legally separate from Hillsdale County, but for which the County is financially accountable, or its relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Discretely Presented Component Units - Concluded

Hillsdale County Road Commission

The County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an elected three member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the county Board of Commissioners. If approval is granted, Road Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as a part of the County total tax levy as well as reported in the County Road Fund.

Hillsdale County Park Commission

The Hillsdale County Park Commission, referred to as the Park Commission, is used to control the expenditure of revenues from state grants and contributions from other local units of government for work performed by the Park Commission.

Hillsdale County Drain Commission

Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The statutory drainage board of Chapter 20 (MCL 280.461 et seq.) drainage districts consists of the drain commissioners, the chairperson of the county board of commissioners, and one other member of the board of commissioners. The statutory drainage board of Chapter 5 (MCL 280.101 et seq.) and Chapter 6 (MCL 280.121 et seq.) drainage districts consists of the State Director of Agriculture and the drain commissioners of each county involved in the project. The county drain commissioner has sole responsibility to administer the drainage district established pursuant to Chapter 3 (MCL 280.51 et seq.) and Chapter 4 (MCL 280.71 et seq.) of the Drain Code. The drainage board or drain commissioners, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the county board of commissioners. The full faith and credit of the County may be given for the debt of the drainage district. There is created for each project petitioned for under the provisions of the Chapter 21 (MCL 280.511 et seq.) drainage districts, an augmented drainage board to consist of the members of the drainage board together with the chairman of the board of supervisors and the chairman of the board of county auditors of each county involved. The statutory drainage board of Chapter 8 (MCL 280.191 et seq.) drainage districts consists of the Drain Commissioner, the State Director of Agriculture, and the commissioners of each county involved.

Hillsdale County Park Commission and Hillsdale County Road Commission have separately issued audit reports which were prepared by other auditors. Complete financial statements of the individual component units can be obtained from their respective administrative offices or from the Clerk's Office:

Hillsdale County Road Commission
1919 Hudson Road
Hillsdale, Michigan 49242

Related Organizations

Jackson-Hillsdale Mental Health Department

Hillsdale County and Jackson County entered into an agreement pursuant to Section 205 of Act 258 of 1974, as amended (MCL 330.1205), to create the Jackson-Hillsdale Mental Health Authority. The Authority is a legally separate organization established to provide mental health services to residents of the counties. The Jackson-Hillsdale Mental Health Authority consists of the entire geographic area of the Counties.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Related Organizations - Concluded

Jackson-Hillsdale Mental Health Department - Concluded

It is governed by a twelve (12) member board, four (4) Hillsdale County, eight (8) Jackson County. The County's accountability does not extend beyond this representation and making these appointments. The board may borrow money and issue bonds pursuant to Section 205 of Act 258 of 1974, as amended (MCL 330.1205). The Authority indemnifies and holds harmless the participating counties from all claims and liabilities.

Hillsdale County's appropriation to the Jackson-Hillsdale Mental Health Department for the calendar year was \$23,357.

Branch, Hillsdale, St. Joseph District I Health Department

Hillsdale County participates jointly with Branch and St. Joseph Counties in the operation of the Branch, Hillsdale, St. Joseph District I Health Department. All of the financial operations of the District Health Department are recorded in the records of Branch County. It is governed by a seven (7) member board, two (2) from Hillsdale County, two (2) from Branch County, and three (3) from St. Joseph County. The funding formula approved by the members of the county boards of commissioners is based pro rata on each county's population. The current funding formula approved by the District Health Board requires Hillsdale, Branch and St. Joseph Counties to provide 30.1, 29.6, and 40.3 percent, respectively. Hillsdale County's appropriation to the District Health Department for the calendar year was \$297,431, which consists of \$277,680 funding formula and \$19,751 cigarette tax.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

Under Governmental Accounting Standards Board's Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, the annual financial report will now include two separate sets of statements, the government-wide financial statements and the fund financial statements. The measurement focus, basis of accounting and basis of presentation differs between the government-wide financial statements and the fund financial statements. These differences, along with an explanation of the differing purposes and information provided by these separate financial statements, are described in the sections below.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and statement of activities) report information on all of the nonfiduciary activity of the primary government and its component units using the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting the County's net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are changes between the County's various functions where elimination would distort the direct costs and program revenues reported for the various functions concerned.

Both the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The structure of these two statements is further described in the following two paragraphs.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

B. Measurement Focus, Basis of Accounting and Basis of Presentation - Concluded

Government-Wide Financial Statements - Concluded

Statement of Net Assets – This statement is designed to display the financial position of the County. The County reports all capital assets and all long-term liabilities, such as long-term debt. The net assets of the County are broken down into three categories, 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Restrictions shown are those imposed by parties outside the County, such as creditors, grantors, contributors, laws and regulations of other governments. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed. Internal service funds have been consolidated into the government or business-type activities that they primarily benefit.

Statement of Activities – This statement demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues. Just as the statement of net assets includes all capital assets, the Statement of Activities includes all depreciation expenses. In the Statement of Activities, the operational internal service funds have been consolidated into the government or business-type activities that they primarily benefit.

Fund Financial Statements

The accounts of the County are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. All individual funds are considered major and are reported as separate columns in the fund financial statements.

As in the government-wide financial statements, as a general rule the effect of interfund activity has been eliminated from the fund financial statements. Exceptions to this general rule are charges between the County's various functions where elimination would distort the direct costs and program revenues reported for the various functions concerned.

GOVERNMENTAL FUNDS

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The current financial resources measurement focus results in the reporting of only near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. Under the modified accrual basis of accounting, revenues are recognized when they are susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues are considered to be available if they are expected to be received within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, and governmental fund costs related to liabilities accrued in the internal service funds, such as compensated absences, self-insurance, and workers' compensation.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

B. Measurement Focus, Basis of Accounting and Basis of Presentation - Concluded

GOVERNMENTAL FUNDS - Concluded

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes, investment earnings, and charges for services. Changes in the fair value of investments are recognized in interest revenues at the end of each year. Fines, forfeitures, licenses, and permit revenues are recorded when cash is received by the County because they are not generally measurable until actually received. Shared revenues are recorded at the time of receipt or earlier if accrual criteria are met. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The fund is used to account for revenues and expenditures necessary to carry out basic governmental activities relating to areas such as administration, judicial, and public safety.

The Improvement Fund is used to record funds held for and used to improve buildings owned by the County.

Additionally, the County reports the following governmental fund types:

Special Revenue Funds are used to finance particular activities and are created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory provisions to pay for certain activities with some special form of continuing revenues.

Debt Service Funds are established to finance and account for the payments of interest and principle on all general obligation debt other than that payable exclusively from revenue bonds issued for and serviced by a governmental enterprise.

Capital Project Funds are designed to account for the resources expended to acquire assets of a relatively permanent nature.

Permanent Funds are established to administer resources received and held by a governmental unit as the trustee or as the agent for others.

Internal Service funds are established to finance and account for services and/or commodities furnished by a designated program to other programs within the County and not to the public in general.

PROPRIETARY FUNDS

All proprietary and similar trust funds are accounted for using *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting the fund net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items.

The County reports the following major proprietary funds:

The Medical Care Facility Fund is used to record the activities of the Medical Care Facility.

The E-911 Emergency Fund accounts for the County's 911 emergency response system.

The 2001 and 2002 Delinquent Tax Revolving Funds account for the County's annual purchase of delinquent real property taxes from each of the local taxing units within the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The funds also account for the County's issuance of debt (to provide cash flow for the purchase of the taxes) and for resulting debt service payments.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

B. Measurement Focus, Basis of Accounting and Basis of Presentation - Concluded

PROPRIETARY FUNDS - Concluded

Additionally, the County reports the following proprietary funds types:

Enterprise funds are used to account for the acquisition, operation and maintenance of governmental facilities and services which are entirely or predominately self-supporting by user charges.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the County holds for others in an agency capacity.

COMPONENT UNIT FUNDS

The component units include fund types consisting of: Special Revenue, Debt Service and Capital Projects.

C. Fixed Assets and Long-Term Liabilities

Capital Assets, which include property (e.g. land), plant (e.g. buildings, improvements), equipment (e.g. vehicles, computers, office equipment) are reported in the applicable governmental, business-type activity or component unit columns in the government-wide financial statements. The capitalization thresholds are \$5,000 for equipment, building and improvements. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

In proprietary funds, major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets of governmental activities are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10-50 years
Equipment	10-25 years
Vehicles	5-10 years

In the governmental fund financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Governmental funds recognize bond premiums and discounts, as well as bond issuance costs, in the period issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources and discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures. Interest is reported as an expenditure in the period in which the related payment is made.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Fixed Assets and Long-Term Liabilities

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on the Proprietary Fund balance sheet. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are:

Buildings and Improvements	10-50 years
Equipment	10-25 years
Vehicles	5-10 years

Under capitalized lease-purchase agreements, the County pays annual rent to the Hillsdale County Building Authority for the servicing of bonded debt incurred for the construction of various County buildings. The related debt is recorded in the General Long-Term Debt Account Group.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities of the primary government and its component units. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. As permitted by GASB Statement No. 34, the County and its component units have elected to apply the provisions related to bond premiums, discounts, and issuance costs on a prospective basis.

Advances to Other Funds/Component Units - Long-term advances from certain funds to other funds or component units are made to finance new activities during their initial operations, to finance the purchase of real property taxes receivable from the municipalities within the County, and to finance capital acquisitions. For the governmental fund types, fund balance is reserved for the amount of advances made to other funds to reflect the fund balance not currently available for expenditure.

Noncurrent portions of long-term interfund loans receivable (reported in "Advance To" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of long-term interfund loans receivable (reported in "Due From" asset accounts) are considered "available spendable resources."

Contractual Adjustments - The County records all charges for services of the primary government Medical Care Facility and the District Health Department as gross charges. However, because most of the intermediaries reimburse the facilities at something less than gross charges, the underrealization of charges are recorded as contractual adjustments and deducted from gross charges as a reduction in operating income.

Accrued Vacation and Sick - In accordance with County personnel policies and/or contracts negotiated with the various employee groups of the County, upon termination of employment, individual employees have vested rights to receive payment or unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

In accordance with GASB Statement No. 16 Accounting for Compensated Absences, an accrual for compensated absences is reflected in the accompanying basic financial statements as accrued vacation and sick, which also includes related accruals. For accrued amounts that would normally be paid through governmental funds, only the current portion expected to be liquidated with expendable available resources is recorded as an expenditure and a fund liability in the fund financial statements. For accrued amounts that are paid through proprietary funds, an expense and liability for the total liability is recorded.

Accrued vacation and sick pay at December 31, 2003 are as follows:

PRIMARY GOVERNMENT	STATEMENT OF NET ASSETS ACCRUED LIABILITY	STATEMENT OF NET ASSETS NONCURRENT LIABILITY	COMPONENT UNITS
\$ 116,090	\$	\$ 116,090	\$ 333,906

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded**

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Finance Committee receives the preliminary budget requests from department heads in September.
2. A proposed operating budget for the fiscal year beginning the following January 1 is submitted to the Board of Commissioners in October.
3. Public hearings are conducted to obtain taxpayer comments.
4. The budget is formally adopted by resolution at the December Board of Commissioners' meeting.
5. Any revisions to the budget must be approved by the Board of Commissioners.
6. Formal budgetary integration is employed as a management control device for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.
7. Budgets for the General and Special Revenue Funds where shown in the financial statements are adopted on the cash basis, which is not in conformity with U.S. generally accepted accounting principles.
8. Budgeted amounts are as originally adopted or as amended by the Board of Commissioners during the year.
9. All annual appropriations lapse at year end.

E. Investments

Investments are stated at cost, which equals market.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the County considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

G. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: **PROPERTY TAXES**

The 2003 property tax revenue includes property taxes levied principally on December 1, 2002, and substantially collected in early 2003. The "2002 property taxes" became a lien on December 1, 2002, and were collected by March 1, 2003, except for those taxes which were returned delinquent. The total 2002 levy for the County was \$6,514,582 for general operating purposes.

By agreement with various taxing authorities in the County, the County purchases at face value the real property taxes receivable which became delinquent on March 1, 2003. These taxes, which are recorded in an Enterprise Fund (\$1,046,082 at December 31, 2003) are pledged for repayment of loans, the proceeds of which were used to purchase such amounts due the General Fund and other local units of government. Subsequent collections by the County, plus interest, fees and investment earnings are used to repay the loans.

NOTE 3: **LONG-TERM OBLIGATIONS**

The following is a summary of long-term debt transaction of the primary government and all component units for the year ended December 31, 2003.

	BALANCE JANUARY 1, 2003	ADDITIONS (DEDUCTIONS)	BALANCE DECEMBER 31, 2003	DUE WITHIN ON YEAR
Governmental Activities - Primary Government				
\$2,000,000 FIA Building Authority Series 1996 Serial Bonds due in annual installments of \$70,000 to \$170,000 through November 1, 2016; interest at 5.25% to 5.70%	\$ 1,640,000	\$(80,000)	\$ 1,560,000	\$ 80,000
\$901,000 Sanitary Sewage Disposal #7 - Refunding Townships of Pittsford and Jefferson Serial Bonds due in annual installments of \$94,000 to \$109,000 through May 1, 2005; interest at 4.40% to 4.85%	300,000	(87,000)	213,000	109,000
\$2,305,000 Sanitary Sewage Disposal - Village of Litchfield Serial Bonds due in annual installments of \$105,000 to \$140,000 through 2014; interest at 2.0%	1,365,000	(110,000)	1,255,000	110,000
\$1,360,000 2003 Water Supply System Village Jonesville Serial Bonds due in annual installments of \$35,000 to \$135,000; interest at 4.40% to 5.70% through November 20, 2015	1,255,000	(35,000)	1,220,000	35,000
Accumulated compensated absences	<u>149,041</u>	(<u>32,951</u>)	<u>116,090</u>	
Total Primary Government	\$ <u>4,709,041</u>	\$(<u>344,951</u>)	4,364,090	\$ <u>334,000</u>
Less: amount payable within one year			(<u>334,000</u>)	
TOTAL LONG-TERM OBLIGATIONS GOVERNMENTAL ACTIVITIES PRIMARY GOVERNMENT			\$ <u>4,030,090</u>	

NOTE 3: LONG-TERM OBLIGATIONS - Continued

	BALANCE JANUARY 1, 2003	ADDITIONS (DEDUCTIONS)	BALANCE DECEMBER 31, 2003	DUE WITHIN ON YEAR
Component Units				
\$70,143 Caterpillar Finance, payable in forty-eight monthly payments of \$2,169, which includes 5.25% interest through September 1, 2005. This note is for the purchase of a 2003 CAT excavator for the Drain Commission	\$ 48,136	\$ (17,143)	\$ 30,993	\$ 18,286
\$90,576 Caterpillar Finance, payable in forty-eight monthly payments of \$2,779, which includes 4.8% interest through November 15, 2005. This note is for the purchase of a 2003 CAT excavator for the Drain Commission	69,428	(24,453)	44,975	23,310
\$35,000 Murry Joint Intercounty Drain Drainage District, Counties of Hillsdale and Branch, due in one installment of \$35,000 including interest at 2.82%, payable June 1, 2004		35,000	35,000	35,000
Accumulated compensated absences	<u>345,808</u>	<u>(11,902)</u>	<u>333,906</u>	<u>66,780</u>
Total Component Units	<u>\$ 463,372</u>	<u>\$ (18,498)</u>	<u>444,874</u>	<u>\$ 143,376</u>
Less: amount payable within one year			(143,376)	
TOTAL LONG-TERM OBLIGATIONS GOVERNMENTAL ACTIVITIES COMPONENT UNITS			<u>\$ 301,498</u>	
Business-Type Activities				
\$2,300,000 M.C.F. Building Authority Series 1998 Serial Bonds due in annual installments of \$80,000 to \$185,000 through November 1, 2018; interest at 4.40% to 4.625%	\$ 2,060,000	\$ (85,000)	\$ 1,975,000	\$ 90,000
\$2,100,000 Hillsdale County 2001 delinquent tax notes due in semi-annual installments of \$200,000 to \$700,000 through October 1, 2004; interest at 3.28%	1,400,000	(950,000)	450,000	450,000
\$2,170,000 Hilldale County 2000 delinquent tax notes due in semi-annual installments of \$250,000 through November 1, 2003; interest at 4.00% to 5.00%	500,000	(500,000)		

NOTE 3: **LONG-TERM OBLIGATIONS - Concluded**

	BALANCE JANUARY 1, 2003	ADDITIONS (DEDUCTIONS)	BALANCE DECEMBER 31, 2003	DUE WITHIN ON YEAR
Business-Type Activities - Concluded				
\$2,200,000 Hillsdale County 2002 delinquent tax notes due in semi-annual installments of \$200,000 to \$750,000 through October 1, 2005; interest at 1.625% \$		\$ 1,450,000	\$ 1,450,000	\$ 1,000,000
Total Business-Type Activities	\$ 3,960,000	\$ (85,000)	3,875,000	\$ 1,540,000
Less: amount payable within one year			(1,540,000)	
TOTAL LONG-TERM OBLIGATIONS BUSINESS-TYPE ACTIVITIES			\$2,335,000	

Annual Debt Service requirements to maturity for primary government obligations are as follows:

YEAR ENDING DECEMBER 31,	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2004	\$ 334,000	\$ 183,038	\$ 1,540,000	\$ 117,129
2005	339,000	169,815	545,000	87,621
2006	240,000	158,833	100,000	77,740
2007	285,000	150,008	105,000	72,910
2008	325,000	139,050	110,000	67,850
2009	370,000	125,836	115,000	62,560
2010-2016	2,355,000	419,455	1,360,000	334,786
Undetermined	116,090			
	<u>\$ 4,364,090</u>	<u>\$ 1,346,035</u>	<u>\$ 3,875,000</u>	<u>\$ 820,596</u>

Annual Debt Service requirements to maturity for component units long-term obligations are as follows:

YEAR ENDING DECEMBER 31,	<u>DRAINAGE DISTRICTS</u>		<u>ROAD COMMISSION</u>	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2004	\$ 40,441	\$ 5,079	\$ 66,780	\$
2005	70,527	2,100		
Undetermined			267,126	
	<u>\$ 110,968</u>	<u>\$ 7,179</u>	<u>\$ 333,906</u>	<u>\$</u>

NOTE 4: **OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

U.S. generally accepted accounting principles require disclosure, as part of the Combined Statements - Overview, of certain information concerning individual funds including excesses of expenditures over appropriations in individual funds. P.A. 621 of 1978 provides that counties and other local units of government shall not incur expenditures in excess of the amounts appropriated in the formal budget document adopted by the County Board of Commissioners.

NOTE 4: **OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - Concluded**

During the year ended December 31, 2003, the County incurred expenditures in excess of the amount appropriated as follows:

FUNDS	BUDGET	ACTUAL	VARIANCE UNFAVORABLE
General			
Circuit Court	\$ 168,398	\$ 177,832	\$ (9,434)
District Court	426,861	434,113	(7,252)
Elections	2,000	2,469	(469)
Medical examiner	50,500	62,060	(11,560)
Health, dental and life insurance	1,120,000	1,143,508	(23,508)
Appropriations	555,806	683,895	(128,089)
Special Revenue			
Drug law enforcement	10,000	14,190	(4,190)

NOTE 5: **INTERFUND RECEIVABLES AND PAYABLES**

The interfund receivables and payables at December 31, 2003 are as follows:

FUND	INTERFUND RECEIVABLE	FUND	INTERFUND PAYABLE
Self Insurance	\$ 4,499	General	\$ 1,122,240
Sheriff Department Retirement	35,777	E-911 Emergency	1,161
Cemetery Trust	134	2001 Tax Payment	86,541
M.C.F. Endowment	381		
Carl Gilmore Trust	46		
BPW #1 Village of Litchfield Construction	17		
BPW #2 Townships of Jefferson and Pittsford Construction	6		
F.I.A. Building Authority Construction	6,309		
BPW #1 Village of Litchfield	673		
BPW #2 Townships of Jefferson and Pittsford	70		
BPW #6 Village of Jonesville	31		
F.I.A. Building Authority Debt	35		
Law Enforcement Training	3,051		
Friend of the Court	17,671		
County Law Library	9,403		
Child Abuse	30,310		
Department of Social Services	71,290		
Child Care - Probate Court	48,017		
Child Care - D.S.S.	82,104		
Soldiers' and Sailors' Relief	3,174		
Veterans' Trust	302		
Ambulance Fund	877		
Senior Citizen Fund	3,861		
R.O.D. Technology Fund	49,426		
Building Inspection	20		
Improvement	205,975		
Medical Care Facility	399,438		
2002 Tax Payment	237,045		
TOTAL	\$ 1,209,942	TOTAL	\$ 1,209,942

NOTE 6: OPERATING TRANSFERS

The operating transfers between funds are as follows:

FUND	TRANSFER IN	FUND	TRANSFER OUT
General Fund	\$ 510,103	Sheriff prisoner/ Out County	\$ 103
		Umbrella Tax	150,000
		1997 Tax	30,000
		2000 Tax	330,000
SUBTOTAL	<u>510,103</u>	SUBTOTAL	<u>510,103</u>
Law Enforcement Training	<u>1,329</u>	Crime Prevention	<u>1,329</u>
Child Care Probate	<u>17,830</u>	Child Care DSS	<u>17,830</u>
FIA Building Authority Dcht	44,942	General Fund	829,506
Department of Social Services	48,000		
Child Care Probate	500,000		
Soldiers/Sailors Relief	41,564		
Geographic Information System	75,000		
Child Care DSS	<u>120,000</u>		
SUBTOTAL	<u>829,506</u>	SUBTOTAL	<u>829,506</u>
TOTAL	\$ <u>1,491,229</u>	TOTAL	\$ <u>1,491,229</u>

NOTE 7: CONTINGENT LIABILITIES

The County participates in a number of federal and state assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for and including the year ended December 31, 2003, have not yet been conducted. Accordingly, the County's compliance with the program requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

NOTE 8: LITIGATION

There are several lawsuits pending in which the County is involved. The judicial decisions in these cases are unknown at this time, but potential claims against the County not covered by insurance would not materially affect the financial statements.

NOTE 9: ADVANCES TO OTHER FUNDS

To provide the Revolving Drain Fund and Lake Level Revolving Fund with operating funds, the General Fund has provided long-term advances to these funds. These advances are not expected to be repaid during the current year and, therefore, a portion of the General Fund's fund balance has been reserved to indicate that the amounts receivable as advances to the other funds do not constitute "available spendable resources" since they are not a component of net current assets.

At December 31, 2003, the amounts advanced were:

FUND	ADVANCE TO OTHER FUND	FUND	ADVANCE FROM OTHER FUND
General	\$ 339,488	Revolving Drain	\$ 339,488
General	<u>18,480</u>	Lake Level Revolving	<u>18,480</u>
TOTAL	\$ <u>357,968</u>	TOTAL	\$ <u>357,968</u>

NOTE 10: **CASH AND INVESTMENTS**

Cash resources from individual funds are combined to form a pool of cash and investments which is managed by the County Treasurer. Investments consisted primarily of certificates of deposit, bankers' acceptances, money market accounts and commercial paper which are carried at cost.

FUND	POOLED CASH	OTHER CASH AND CASH EQUIVALENTS	INVESTMENTS	TOTAL
General	\$	\$	\$ 2,321,494	\$ 2,321,494
Improvement			590,000	590,000
Child Care - Probate			4,549	4,549
Cemetery Trust			100	100
Medical Care Facility Endowment			2,000	2,000
E-911 Emergency			100,000	100,000
2001 Tax Payment			750,000	750,000
2002 Tax Payment	75,936		405,000	480,936
Geographic Information System	72,221			72,221
Umbrella Tax Payment	19,109			19,109
1997 Tax Payment	21,893			21,893
1998 Tax Payment	54,238			54,238
1999 Tax Payment	72,874			72,874
2000 Tax Payment	185,164			185,164
County Retirement*	2,179			2,179
County Park*	746			746
Medical Care Facility		432,679		432,679
County Park Commission		47,667		47,667
County Road Commission		188,656		188,656
Drain Construction Debt	304			304
Drain Special Assessment		291,533		291,533
Lake Level Special Assessment		89,076		89,076
Lake Level Revolving	15,252			15,252
Drain Construction		937		937
Drain Equipment Revolving	76			76
Drain Revolving		67,233		67,233
Trust and Agency	925,372			925,372
Library Penal Fines	109,272			109,272
TOTAL	\$ 1,554,636	\$ 1,117,781	\$ 4,173,143	\$ 6,845,560

*Excluded components

CASH AND CASH EQUIVALENTS PER REPORT

Cash and cash equivalents	
Proprietary Funds	\$ 764,387
Component Units	700,735
Agency Funds	<u>1,034,643</u>
TOTAL CASH AND CASH EQUIVALENTS PER REPORT	2,499,765
Add: *Excluded components	2,925
Designated assets - cash proprietary funds	<u>169,727</u>
TOTAL	\$ <u>2,672,417</u>
POOLED CASH	\$ 1,554,636
OTHER CASH AND CASH EQUIVALENTS	<u>1,117,781</u>
	\$ <u>2,672,417</u>

NOTE 10: CASH AND INVESTMENTS - Concluded

As of December 31, 2003, the carrying amount and bank balance for each type of account is as follows:

Cash and Cash Equivalents

The County's cash deposits are categorized as follows to give an indication of the level of risk assumed by the County at December 31, 2003. Category 1 includes deposits insured with securities held by the County or by its agent in the County's name. Category 2 includes deposits collateralized with securities held by the County's trust department or agent in the County's name. Category 3 is uncollateralized and uninsured.

ACCOUNT TYPE	BOOK BALANCE	BANK BALANCE	CATEGORY		
			1	2	3
Cash deposits	\$ 2,379,362	\$ 2,467,421	\$ 400,000	\$	\$ 2,067,421
Money market accounts	263,985	264,154	100,000		164,154
Treasury fund	29,070	29,070	29,070		

Differences between amounts recorded as book balances and bank balances are due to outstanding checks which have not yet cleared the bank and depository accounts of the Friend of the Court, Medical Care Facility, District Court and Sheriff's Department which are used to accumulate cash receipts from daily business of these departments and which are not recorded in the County's books until transmitted to the County Treasurer at the end of each month.

Investments

State statutes authorize the County to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; repurchase agreements collateralized by U.S. Government securities; bankers' acceptances and mutual funds composed of investments which are legal for direct investment by local units of government in Michigan.

The County's investments are categorized as follows to give an indication of the level of risk assumed by the County. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the brokers' or dealers' trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the County's name.

ACCOUNT TYPE	BOOK BALANCE	BANK BALANCE	CATEGORY		
			1	2	3
Certificates of Deposit	\$ 4,073,143	\$ 4,064,825	\$ 601,549	\$ 3,463,276	\$
Treasury Note	100,000	100,000		100,000	

The market value for investments is not materially different from the carrying value.

The County has adopted a formal investment policy as required by Act 20 PA 1943, as amended, that complies with state law.

NOTE 11: FUND DEFICIT

The County had the following fund deficit at December 31, 2003:

Building Inspection	\$(1,263)
---------------------	-------------

NOTE 12: **PENSION PLAN**

The County provides pension benefits to all of its full-time employees (except for the Sheriff's Department) through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Hillsdale County Retirement Fund, the County contributes 6.0 percent for all the general County employees' gross earnings and 4 percent for all Medical Care Facility employees. Employees contribute 2-10 percent of earnings. In accordance with these requirements, the County contributed \$449,268 for the year ended December 31, 2003 and employees contributed \$343,202.

NOTE 13: **DEFINED BENEFIT PENSION PLAN**

Plan Description

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public employee retirement system. MERS is authorized and operated under state law, Act 135 of the Public Acts of 1945 as amended. The County retirement system includes employees of the Sheriff's Department except the Sheriff and Under Sheriff. A separate account is maintained by MERS for these departments. Substantially all employees are covered by a retirement system. All employees in the plan are covered by a defined benefit plan. The Michigan Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to MERS at 447 North Canal Road, Lansing, Michigan 48917.

Fund Policy

The obligation to contribute to and maintain the system for these employees was established by the County Board.

Annual Pension Cost

For the year ended December 31, 2003 the County's annual pension cost of \$131,258 for the plan was equal to the County's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 1998, using the entry age cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, plus additional projected salary increases ranging from 0.0 percent to 4.2 percent per year, depending on age, attributable to seniority/merit, and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) included an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Trend information.

	FISCAL YEAR ENDED DECEMBER 31,		
	2000	2001	2002
Annual pension cost	\$ 93,121	\$ 106,926	\$ 131,258
Percentage of APC contributed	100%	100%	100%
Net pension obligation			
Actuarial value of assets	211,728	392,255	668,575
Actuarial Accrued Liability (entry age)	2,376,492	2,577,642	2,888,009
Overfunded (unfunded) actuarial accrued liability	(2,164,764)	(2,185,387)	(2,219,434)
Funded ratio	9%	15%	23%
Covered payroll	1,322,477	1,402,681	1,549,242
UAAL as a percentage of covered payroll	164%	156%	143%

NOTE 14: DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are for the exclusive benefit of the employee or their beneficiary.

NOTE 15: ACCUMULATED UNPAID VACATION AND SICK PAY

Accumulated vacation and sick pay represents a contingent liability to the County which is not expected to be liquidated during the current year. For this reason, the total liability for vacation and sick pay is reported in the General Long-Term Debt Account Group and does not represent a current liability at December 31, 2003. Payments to employees for vacation and sick pay will be recorded as expenditures when the vacation and sick time is used and payments are actually made to the employees.

Employees earn vacation leave at the rate of five to twenty days depending on their years of service. The allowable accumulation of vacation time varies by contract.

Employees earn sick leave at the rate of one day a month. All County employees are limited to accumulated sick leave of 30 days.

Upon separation from employment, employees are paid for any unused vacation leave, 50% of unused sick leave (100% upon death or retirement). At December 31, 2003, the total accumulated vacation and sick pay amount was \$116,090.

NOTE 16: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains seven Enterprise Funds as shown below. Emergency and E-911 funds provide emergency services to the County. The various delinquent tax funds account for the collection of delinquent taxes.

	MEDICAL CARE FACILITY	E-911 EMERGENCY	2001 TAX PAYMENT	2002 TAX PAYMENT	EMERGENCY SERVICE
Total assets	\$ 6,265,287	\$ 328,033	\$ 884,515	\$ 1,597,085	\$
Total liabilities	3,876,809	14,937	546,581	1,455,891	
Net assets	2,388,478	313,096	337,934	141,194	
Operating revenue	9,658,378	597,671	275,810	170,210	
Operating expenses	10,813,293	741,585	24,763	16,138	416
Operating income (loss)	(1,154,915)	(143,914)	251,047	154,072	(416)
Nonoperating revenue (expense)	515,116		(16,708)	(12,878)	
Transfers in (out)					
Change in net assets	(639,799)	(143,914)	234,339	141,194	(416)
Net assets, January 1, 2003	3,028,277	457,010	114,714		416
Prior period adjustment			(11,119)		
Net assets, December 31, 2003	2,388,478	313,096	337,934	141,194	
Net cash provided by (used in)					
Operating activities	(815,616)	(44,712)	1,182,895	(956,186)	(416)
Noncapital financing activities	576,648		(950,000)	1,450,000	
Capital and related financing activities	(855,929)	(32,835)			
Investing activities	27,689	50,000	(277,827)	(417,878)	
Net increase (decrease) in cash and cash equivalents	(1,067,208)	(27,547)	(44,932)	75,936	(416)
Cash and cash equivalents, beginning	1,499,887	27,547	44,932		416
Cash and cash equivalents, ending	432,679			75,936	

NOTE 16: **SEGMENT INFORMATION FOR ENTERPRISE FUNDS - Concluded**

	GEOGRAPHIC INFORMATION SYSTEMS	UMBRELLA TAX PAYMENT	DELINQUENT TAXES	TOTAL
Total assets	\$ 72,516	\$ 19,109	\$ 371,437	\$9,537,982
Total liabilities		4,155	1,398	5,899,771
Net assets	72,516	14,954	370,039	3,638,211
Operating revenue	60,162		241,509	11,003,740
Operating expenses	100,344	20	27,717	11,724,276
Operating income (loss)	(40,182)	(20)	213,792	(720,536)
Nonoperating revenue (expense)				485,530
Transfers in (out)	75,000	(150,000)	(360,000)	(435,000)
Change in net assets	34,818	(150,020)	(146,208)	(670,006)
Net assets, January 1, 2003	37,698	164,974	522,247	4,325,336
Prior period adjustment			(6,000)	(17,119)
Net assets, December 31, 2003	72,516	14,954	370,039	3,638,211
Net cash provided by (used in)				
Operating activities	(40,525)	24,601	301,117	(348,842)
Noncapital financing activities	75,000	(150,000)	(860,000)	141,648
Capital and related financing activities				(888,764)
Investing activities			737,980	119,964
Net increase (decrease) in cash and cash equivalents	34,475	(125,399)	179,097	(975,994)
Cash and cash equivalents, beginning	37,746	144,508	155,072	1,910,108
Cash and cash equivalents, ending	72,221	19,109	334,169	934,114

NOTE 17: **PROPERTY, PLANT AND EQUIPMENT**

The following schedule summarizes the changes in governmental fixed assets for the year ending December 31, 2003.

	BALANCE, JANUARY 1	ADDITIONS	DELETIONS	ADJUSTMENTS AND RECLASS- IFICATIONS	BALANCE, DECEMBER 31
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 130,003	\$ 200,000	\$	\$	\$ 330,003
Capital assets being depreciated					
Building and improvements	4,911,229	485,000			5,396,229
Vehicles and equipment	674,187	228,292			902,479
Total capital assets being depreciated	5,585,416	713,292			6,298,708
Accumulated depreciation					
Building and improvements	1,938,824	174,173			2,112,997
Vehicles and equipment	338,954	151,621			490,575
Total accumulated depreciation	2,277,778	325,794			2,603,572
Net Capital assets being depreciated	3,307,638	387,498			3,695,136
TOTAL GOVERNMENTAL ACTIVITIES	\$ 3,437,641	\$ 587,498	\$	\$	\$ 4,025,139

NOTE 17: **PROPERTY, PLANT AND EQUIPMENT - Continued**

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
General government	\$ 157,975
Public safety	123,051
Health and welfare	<u>44,768</u>
	<u>\$ 325,794</u>

The following schedule summarizes the changes in governmental activity component units for the year ending December 31, 2003.

	BALANCE, JANUARY 1	ADDITIONS	DELETIONS	ADJUSTMENTS AND RECLASS- IFICATIONS	BALANCE, DECEMBER 31
Component Unit - Drainage Districts					
Capital assets being depreciated					
Equipment	\$ 547,287	\$ 51,200	\$	\$	\$ 598,487
Building	135,000				135,000
Infrastructure		<u>301,011</u>			<u>301,011</u>
Total capital assets being depreciated	<u>682,287</u>	<u>352,211</u>			<u>1,034,498</u>
Accumulated depreciation					
Equipment	213,060	65,008			278,068
Building	21,600	5,400			27,000
Infrastructure					
Total accumulated depreciation	<u>234,660</u>	<u>70,408</u>			<u>305,068</u>
Net capital assets being Depreciated - Drainage Districts	<u>447,627</u>	<u>281,803</u>			<u>729,430</u>
Component Unit - Road Commission					
Capital assets not being depreciated					
Land	87,934		(13,500)		74,434
Land improvements - infrastructure	<u>3,078,786</u>	<u>201,621</u>			<u>3,280,407</u>
Total capital assets not being depreciated	<u>3,166,720</u>	<u>201,621</u>	(13,500)		<u>3,354,841</u>
Capital assets being depreciated					
Building and improvements	2,179,070	929	(141,594)	(740)	2,037,665
Equipment	5,293,185	528,785	(205,147)	(20,083)	5,596,740
Yard and storage	427,553		(799)	(155)	426,599
Depletable assets	70,400				70,400
Infrastructure	<u>35,706,081</u>	<u>2,424,175</u>			<u>38,130,256</u>
Total capital assets being depreciated	<u>43,676,289</u>	<u>2,953,889</u>	(347,540)	(20,978)	<u>46,261,660</u>

NOTE 17: **PROPERTY, PLANT AND EQUIPMENT - Continued**

	BALANCE, JANUARY 1	ADDITIONS	DELETIONS	ADJUSTMENTS AND RECLASS- IFICATIONS	BALANCE, DECEMBER 31
Component Unit - Road Commission -					
Concluded					
Accumulated depreciation					
Building and improvements	\$ 399,129	\$ 62,425	\$ (119,277)	\$ (740)	\$ 341,537
Equipment	4,010,786	582,983	(182,940)	(13,581)	4,397,248
Depletable assets	67,145	11			67,156
Infrastructure	<u>14,867,629</u>	<u>1,671,093</u>			<u>16,538,722</u>
Total accumulated depreciation	<u>19,344,689</u>	<u>2,316,512</u>	<u>(302,217)</u>	<u>(14,321)</u>	<u>21,344,663</u>
Net Capital assets being depreciated	\$ <u>24,331,600</u>	\$ <u>637,377</u>	\$ <u>(45,323)</u>	\$ <u>(6,657)</u>	\$ <u>24,916,997</u>
Net capital assets - Road Commission	<u>27,498,320</u>	<u>838,998</u>	<u>(58,823)</u>	<u>(6,657)</u>	<u>28,271,838</u>
Component Unit - County Parks					
Capital assets being depreciated					
Land	<u>3</u>				<u>3</u>
Capital assets being depreciated					
Land improvements	60,757	7,801			68,558
Buildings	319,126				319,126
Park equipment	10,111	13,178	(3,500)		19,789
Community Center equipment	<u>10,325</u>				<u>10,325</u>
Total capital assets being depreciated	<u>400,319</u>	<u>20,979</u>	<u>(3,500)</u>		<u>417,798</u>
Accumulated depreciation					
Land improvements	34,536	2,495			37,031
Buildings	105,906	13,580			119,486
Park equipment	7,603	1,804	(2,770)		6,637
Community Center equipment	<u>7,807</u>	<u>585</u>			<u>8,392</u>
Total accumulated depreciation	<u>155,852</u>	<u>18,464</u>	<u>(2,770)</u>		<u>171,546</u>
Net capital assets being depreciated	<u>244,467</u>	<u>2,515</u>	<u>(730)</u>		<u>246,252</u>
Net capital assets - County Park	<u>244,470</u>	<u>2,515</u>	<u>(730)</u>		<u>246,255</u>
TOTAL COMPONENT UNITS	\$ <u>28,190,417</u>	\$ <u>1,123,316</u>	\$ <u>(59,553)</u>	\$ <u>(6,657)</u>	\$ <u>29,247,523</u>

Depreciation expense for the governmental activities component unit was charged to the following functions and activities of the component unit:

GOVERNMENTAL ACTIVITY	AMOUNT
Wastewater	\$ 70,408
Streets	2,316,512
Recreation	<u>18,464</u>
	\$ <u>2,405,384</u>

NOTE 17: **PROPERTY, PLANT AND EQUIPMENT - Continued**

	BALANCE, JANUARY 1	ADDITIONS	DELETIONS	ADJUSTMENTS AND RECLASS- IFICATIONS	BALANCE, DECEMBER 31
Business-Type Activities					
Capital assets not being depreciated					
Construction in progress	\$ _____	\$ <u>489,447</u>	\$ _____	\$ _____	\$ <u>489,447</u>
Capital assets being depreciated					
Land improvements	29,524				29,524
Buildings and improvements	6,136,436	146,269			6,282,705
Vehicles and equipment	<u>1,274,287</u>	<u>122,601</u>			<u>1,396,888</u>
Total capital assets being depreciated	<u>7,440,247</u>	<u>268,870</u>			<u>7,709,117</u>
Accumulated depreciation					
Land improvements	29,524				29,524
Buildings and improvements	2,752,278	216,154			2,968,432
Vehicles and equipment	<u>922,329</u>	<u>94,152</u>			<u>1,016,481</u>
Total accumulated Depreciated	<u>3,704,131</u>	<u>310,306</u>			<u>4,014,437</u>
Net capital assets being depreciated	<u>3,736,116</u>	(<u>41,436</u>)			<u>3,694,680</u>
TOTAL BUSINESS-TYPE ACTIVITIES	\$ <u>3,736,116</u>	\$ <u>448,011</u>	\$ _____	\$ _____	\$ <u>4,184,127</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
Public safety	\$ 57,129
Health and welfare	<u>253,177</u>
	<u>\$ 310,306</u>

NOTE 18: **RISK MANAGEMENT**

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The County has purchased commercial insurance for employee medical benefit claims, participates in the Michigan Municipal Risk Management Authority (risk pool) for claims relating to property loss, torts, errors and omissions, and personal injuries, and participates in a risk pool at Employer's Reinsurance Corporation for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (risk pool) program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, the Authority uses the premiums to pay claims up to the retention limits, the ultimate liability for those claims remains with the County. As of December 31, 2003, the County estimates that its funds on deposit with the Authority are sufficient to cover any outstanding claims. Accordingly, no liability has been recorded.

The County maintains a self insurance fund for worker's compensation insurance coverage for the County's employees through the risk pool at Employer's Reinsurance Corporation. The County's policy is a one-year policy, expiring on December 31, 2004.

NOTE 19: FUND EQUITY RESERVES

Portions of fund equity are segregated for future use and are, therefore, not available for future appropriation or expenditure. These fund reserves as of December 31, 2003 are as follows:

Reserve for Capital Depreciation

This amount reflects the fund balance to be used to replace capital assets as they are retired.

Reserve for Family Counseling

This amount reflects the fund balance to be used for family counseling projects in the district.

Reserve for Prosecuting Attorney

This amount reflects the fund balance to be used for the prosecuting attorney child abuse and neglect grant.

Reserve for Workers' Compensation

This amount reflects the fund balance to be used for Workers' Compensation claims against the County.

Reserve for Advances

This amount reflects the fund balances to be used for advances to other funds.

Reserve for Cemetery Maintenance

This amount reflects the fund balance to be used for cemetery maintenance.

Restricted by Statute

This amount reflects the portion of the fund balance of the delinquent tax revolving funds that are temporarily restricted by Public Act 123 of 1999 as amended.

NOTE 20: BUDGET APPROPRIATIONS OVER ALLOWABLE FUND BALANCE

	FUND BALANCE	APPROPRIATIONS	OVER (UNDER)
Soldiers' and Sailors' Relief Fund	\$ 4,403	\$ 4,436	\$ (33)

NOTE 21: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the current period as an adjustment to fund equity.

2001 Tax Payment Fund	
Prior year accrual correction	\$(11,119)
2000 Tax Payment Fund	
Prior year accrual correction	(6,000)
Drain Special Assessment	
Prior year accrual correction	241,141
Lake Level Special Assessment	
Prior year accrual correction	48,956

GENERAL FUND

The General Fund is used to account for resources traditionally associated with local government, and any other activity for which a special fund has not been created.

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
TAXES				
Property tax	\$ 5,062,100	\$ 5,074,100	\$ 5,061,083	\$ (13,017)
State revenue sharing	900,000	900,000	1,032,141	132,141
TOTAL TAXES	<u>5,962,100</u>	<u>5,974,100</u>	<u>6,093,224</u>	<u>119,124</u>
LICENSES AND PERMITS	<u>153,500</u>	<u>153,500</u>	<u>108,024</u>	<u>(45,476)</u>
FEDERAL GRANTS				
Friend of the Court reimbursement	397,000	397,000	368,612	(28,388)
COPS Grant	125,000	125,000	110,782	(14,218)
Training grant	5,000	5,000		(5,000)
Homeland security grant			(109)	(109)
Narcotics grant	18,100	18,100	15,943	(2,157)
Prosecuting Attorney reimbursement	50,000	50,000	41,940	(8,060)
Friend of the Court incentive payment	40,000	40,000	22,470	(17,530)
Emergency service	4,000	4,000	3,479	(521)
Friend of the Court medical support	15,000	15,000	17,389	2,389
TOTAL FEDERAL GRANTS	<u>654,100</u>	<u>654,100</u>	<u>580,506</u>	<u>(73,594)</u>
STATE GRANTS				
Court equity funding	504,367	504,367	509,666	5,299
Court standardization and reimbursement	28,000	28,000	27,317	(683)
Secondary road patrol	93,883	93,883	98,471	4,588
Marine safety	18,600	18,600	17,837	(763)
Remonumentation	46,400	46,400	48,915	2,515
Case flow assistance	12,000	12,000	16,092	4,092
Liquor inspection	6,000	6,000	5,532	(468)
Cigarette tax	24,217	24,217	27,981	3,764
Convention facility liquor tax	64,135	64,135	66,069	1,934
Other grants	21,000	21,000	5,000	(16,000)
TOTAL STATE GRANTS	<u>818,602</u>	<u>818,602</u>	<u>822,880</u>	<u>4,278</u>
CHARGES FOR SERVICES				
District Court - civil and oversight fees	30,000	40,000	43,184	3,184
District - costs, bond forfeitures and assessments	148,000	148,000	158,221	10,221
Register of deeds	345,000	495,000	516,004	21,004
County clerk	49,000	49,000	46,418	(2,582)
Circuit Court	61,200	61,200	55,365	(5,835)
Probate Court	22,000	22,000	15,198	(6,802)
Friend of the Court	45,000	45,000	48,442	3,442
Other services	142,250	130,250	79,604	(50,646)
Sheriff	30,000	30,000	33,266	3,266
TOTAL CHARGES FOR SERVICES	<u>872,450</u>	<u>1,020,450</u>	<u>995,702</u>	<u>(24,748)</u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND - Concluded
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
FINES AND FORFEITURES				
Ordinance fines and costs	\$ 402,000	\$ 402,000	\$ 413,417	\$ 11,417
Bond forfeitures	<u>40,200</u>	<u>40,200</u>	<u>41,580</u>	<u>1,380</u>
TOTAL FINES AND FORFEITURES	<u>442,200</u>	<u>442,200</u>	<u>454,997</u>	<u>12,797</u>
INTEREST AND RENTS				
Interest	115,000	115,000	142,238	27,238
Rents	<u>174,755</u>	<u>174,755</u>	<u>177,505</u>	<u>2,750</u>
TOTAL INTEREST AND RENTS	<u>289,755</u>	<u>289,755</u>	<u>319,743</u>	<u>29,988</u>
REIMBURSEMENTS AND REFUNDS	<u>529,434</u>	<u>576,434</u>	<u>613,248</u>	<u>36,814</u>
TOTAL REVENUES	<u>\$ 9,722,141</u>	<u>\$ 9,929,141</u>	<u>\$ 9,988,324</u>	<u>\$ 59,183</u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
EXPENDITURES				
County Commissioners	\$ 137,850	\$ 148,850	\$ 131,093	\$ 17,757
Circuit Court	168,398	168,398	177,832	(9,434)
District Court	424,861	426,861	434,113	(7,252)
Friend of the Court	455,991	455,991	423,069	32,922
Law library	5,000	2,000	926	1,074
Jury board	3,500	4,000	3,438	562
Probate Court	521,602	521,602	515,569	6,033
Elections	2,000	2,000	2,469	(469)
County clerk	250,105	252,105	244,953	7,152
Equalization department	165,048	165,048	156,085	8,963
Prosecuting Attorney	334,680	339,680	332,337	7,343
Public Defender	188,000	188,000	171,378	16,622
Child abuse/neglect	10,000	10,000		10,000
Register of Deeds	130,356	130,356	122,059	8,297
County Treasurer	250,930	255,661	238,881	16,780
Courthouse and grounds	256,728	256,728	244,645	12,083
Drain commission-	177,537	184,537	179,334	5,203
Cooperative extension	179,455	179,455	170,690	8,765
COPS grant	137,501	163,501	159,755	3,746
Sheriff	1,492,594	1,517,094	1,478,195	38,899
Road and traffic patrol	123,451	135,451	132,112	3,339
Marine patrol	23,475	24,475	22,649	1,826
County jail	707,047	708,047	668,427	39,620
Emergency services	36,100	36,100	31,937	4,163
Board of Public Works	18,993	18,993	18,244	749
Health Department	45,552	45,552	38,882	6,670
Animal control	48,515	48,515	39,706	8,809
Medical examiner	50,500	50,500	62,060	(11,560)
Soldiers' burial	17,100	17,100	16,322	778
Veterans' affairs	71,737	71,737	70,735	1,002
Planning commission	9,000	9,000	4,947	4,053
Health, dental and life insurance	997,000	1,120,000	1,143,508	(23,508)
General insurance	244,800	279,800	261,318	18,482
Miscellaneous	18,450	35,950	19,989	15,961
Contingency	192,635	295		295
Equipment	192,560	247,560	243,442	4,118
Narcotics enforcement	62,741	62,741	58,515	4,226
F.I.A. building/grounds	80,664	80,664	73,349	7,315
F.O.C. building maintenance	31,237	31,237	27,792	3,445
Contractual services	17,600	17,600	14,800	2,800
Appropriations	523,616	555,806	683,895	(128,089)
Social Security	348,000	362,000	359,895	2,105
Retirement	185,000	193,000	183,331	9,669
County survey and reimonumentation	46,400	46,400	46,398	2
Truancy	64,000	74,000	71,831	2,169
Computer/data processing	238,210	243,210	229,831	13,379
TOTAL EXPENDITURES	\$ 9,686,519	\$ 9,887,600	\$ 9,710,736	\$ 176,864

SPECIAL REVENUE FUNDS

A Special Revenue Fund is used to finance particular activities and is created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory provisions to pay for certain activities with some special form of continuing revenues.

Special Revenue Funds in Hillsdale County are: Sheriff Prisoner/Out County, Improvement Fund (included as major governmental fund), Drug Law Enforcement Fund, Law Enforcement Training Fund, Friend of the Court Fund, County Law Library Fund, Crime Prevention Fund, Child Abuse Fund, Department of Social Services Fund, Medical Care Facility Fund (included as major governmental fund), Child Care - Probate Court Fund, Child Care - D.S.S. Fund, Soldiers' and Sailors' Relief Fund, Veterans' Trust Fund, Ambulance Fund, Senior Citizen Fund, R.O.D. Technology Fund, and Building Inspection Fund.

HILLSDALE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
DECEMBER 31, 2003

	SHERIFF PRISONER/ OUT COUNTY	DRUG LAW ENFORCEMENT	LAW ENFORCEMENT TRAINING	FRIEND OF THE COURT
ASSETS				
Investments	\$	\$	\$	\$
Accounts receivable				
Due from other funds			3,051	17,671
Prepaid expenses				
TOTAL ASSETS	\$	\$	\$ 3,051	\$ 17,671
LIABILITIES AND EQUITY				
LIABILITIES				
Accounts payable	\$	\$	\$	\$
Due to state of Michigan				
Accrued payroll				
TOTAL LIABILITIES				
EQUITY				
Fund balance				
Unreserved - undesignated			3,051	17,671
TOTAL LIABILITIES AND EQUITY	\$	\$	\$ 3,051	\$ 17,671

COUNTY LAW LIBRARY	CRIME PREVENTION	CHILD ABUSE	DEPARTMENT OF SOCIAL SERVICES	CHILD CARE-PROBATE COURT
\$	\$	\$	\$	\$
9,403		808	9,076	4,549
		30,310	71,290	48,017
		1,765		
<u>\$ 9,403</u>	<u>\$</u>	<u>\$ 32,883</u>	<u>\$ 80,366</u>	<u>\$ 52,566</u>
\$	\$	\$	\$	\$
			9,485	19,690
			51,000	
				3,645
			60,485	23,335
9,403		32,883	19,881	29,231
<u>\$ 9,403</u>	<u>\$</u>	<u>\$ 32,883</u>	<u>\$ 80,366</u>	<u>\$ 52,566</u>

HILLSDALE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE - Concluded
DECEMBER 31, 2003

	CHILD CARE D.S.S.	SOLDIERS' AND SALORS' RELIEF	VETERANS' TRUST
ASSETS			
Investments	\$	\$	\$
Accounts receivable			584
Due from other funds	82,104	3,174	302
Prepaid expenses			
TOTAL ASSETS	\$ 82,104	\$ 3,174	\$ 886
 LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable	\$	\$	\$
Due to state of Michigan			
Accrued payroll			
TOTAL LIABILITIES			
EQUITY			
Fund balance			
Unreserved - undesignated	82,104	3,174	886
TOTAL LIABILITIES AND EQUITY	\$ 82,104	\$ 3,174	\$ 886

AMBULANCE FUND	SENIOR CITIZEN FUND	R.O.D. TECHNOLOGY FUND	BUILDING INSPECTION	TOTAL
\$	\$	\$	\$	\$
877	3,861	49,426	20	4,549
			100	10,468
				319,506
				1,865
<u>\$ 877</u>	<u>\$ 3,861</u>	<u>\$ 49,426</u>	<u>\$ 120</u>	<u>\$ 336,388</u>
\$	\$	\$	\$	\$
			1,021	30,196
			362	51,000
				4,007
			1,383	85,203
877	3,861	49,426	(1,263)	251,185
<u>\$ 877</u>	<u>\$ 3,861</u>	<u>\$ 49,426</u>	<u>\$ 120</u>	<u>\$ 336,388</u>

HILLSDALE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2003

	SHERIFF PRISONER/ OUT COUNTY	DRUG LAW ENFORCEMENT	LAW ENFORCEMENT TRAINING
REVENUES			
Taxes	\$	\$	\$
Federal/state grants			
Fines and forfeits		14,175	
Charges for services			8,396
Interest on investments			
Other			
TOTAL REVENUES	<u> </u>	<u>14,175</u>	<u>8,396</u>
EXPENDITURES			
Judicial			
Public safety		14,190	7,016
Health and welfare			
TOTAL EXPENDITURES	<u> </u>	<u>14,190</u>	<u>7,016</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u> </u>	<u>(15)</u>	<u>1,380</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in			1,329
Operating transfers out	<u>(103)</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(103)</u>		<u>1,329</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(103)</u>	<u>(15)</u>	<u>2,709</u>
FUND BALANCE, JANUARY 1	<u>103</u>	<u>15</u>	<u>342</u>
FUND BALANCE, DECEMBER 31	\$ <u> </u>	\$ <u> </u>	\$ <u>3,051</u>

FRIEND OF THE COURT	COUNTY LAW LIBRARY	CRIME PREVENTION	CHILD ABUSE	DEPARTMENT OF SOCIAL SERVICES	CHILD CARE-PROBATE COURT
\$ 3,360	\$ 9,500	\$	\$ 4,843	\$ 296,712	\$ 17,317
					137,415
					591
					7,640
<u>3,360</u>	<u>9,500</u>		<u>4,843</u>	<u>296,712</u>	<u>162,963</u>
	11,011		5,805	332,711	
<u>4,260</u>					<u>730,689</u>
<u>4,260</u>	<u>11,011</u>		<u>5,805</u>	<u>332,711</u>	<u>730,689</u>
<u>(900)</u>	<u>(1,511)</u>		<u>(962)</u>	<u>(35,999)</u>	<u>(567,726)</u>
				48,000	517,830
		<u>(1,329)</u>			
		<u>(1,329)</u>		<u>48,000</u>	<u>517,830</u>
(900)	(1,511)	(1,329)	(962)	12,001	(49,896)
<u>18,571</u>	<u>10,914</u>	<u>1,329</u>	<u>33,845</u>	<u>7,880</u>	<u>79,127</u>
\$ <u><u>17,671</u></u>	\$ <u><u>9,403</u></u>	\$	\$ <u><u>32,883</u></u>	\$ <u><u>19,881</u></u>	\$ <u><u>29,231</u></u>

HILLSDALE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE - Concluded
FOR THE YEAR ENDED DECEMBER 31, 2003

	CHILD CARE D.S.S.	SOLDIERS' AND SALORS' RELIEF	VETERANS' TRUST
REVENUES			
Taxes	\$	\$	\$
Federal/state grants			
Fines and forfeits			
Charges for services	22,836		
Interest on investments			
Other		4,226	3,520
TOTAL REVENUES	<u>22,836</u>	<u>4,226</u>	<u>3,520</u>
EXPENDITURES			
Judicial			
Public safety			
Health and welfare	141,265	47,019	3,256
TOTAL EXPENDITURES	<u>141,265</u>	<u>47,019</u>	<u>3,256</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(118,429)</u>	<u>(42,793)</u>	<u>264</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	120,000	41,564	
Operating transfers out	(17,830)		
TOTAL OTHER FINANCING SOURCES (USES)	<u>102,170</u>	<u>41,564</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SORCES OVER EXPENDITURES AND OTHER USES	<u>(16,259)</u>	<u>(1,229)</u>	<u>264</u>
FUND BALANCE, JANUARY 1	<u>98,363</u>	<u>4,403</u>	<u>622</u>
FUND BALANCE, DECEMBER 31	\$ <u>82,104</u>	\$ <u>3,174</u>	\$ <u>886</u>

AMBULANCE FUND	SENIOR CITIZEN FUND	R.O.D. TECHNOLOGY FUND	BUILDING INSPECTION	TOTAL
\$ 241,275	\$ 473,066	\$ 64,340	\$	\$ 714,341
				386,572
				23,675
			474,709	643,356
				591
				15,386
<u>241,275</u>	<u>473,066</u>	<u>64,340</u>	<u>474,709</u>	<u>1,783,921</u>
				11,011
241,295	469,253	14,914	522,180	881,902
<u>241,295</u>	<u>469,253</u>	<u>14,914</u>	<u>522,180</u>	<u>1,651,951</u>
				2,544,864
(20)	3,813	49,426	(47,471)	(760,943)
				728,723
				(19,262)
				709,461
(20)	3,813	49,426	(47,471)	(51,482)
897	48		46,208	302,667
\$ <u>877</u>	\$ <u>3,861</u>	\$ <u>49,426</u>	\$ <u>(1,263)</u>	\$ <u>251,185</u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
SHERIFF PRISONER / OUT COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Charges for services	\$ 500	\$ 500	\$	\$ (500)
EXPENDITURES				
Public safety	500	500		500
EXCESS OF REVENUES OVER EXPENDITURES				
OTHER FINANCING USES				
Operating transfers out			(103)	(103)
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES			(103)	(103)
FUND BALANCE, JANUARY 1	103	103	103	
FUND BALANCE, DECEMBER 31	\$ 103	\$ 103	\$	\$ (103)

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
DRUG LAW ENFORCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Fines and forfeits	\$ <u>10,000</u>	\$ <u>10,000</u>	\$ <u>14,175</u>	\$ <u>4,175</u>
EXPENDITURES				
Public safety	<u>10,000</u>	<u>10,000</u>	<u>14,190</u>	<u>(4,190)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES			(15)	(15)
FUND BALANCE, JANUARY 1	<u>55</u>	<u>15</u>	<u>15</u>	
FUND BALANCE, DECEMBER 31	\$ <u><u>55</u></u>	\$ <u><u>15</u></u>	\$ <u><u>15</u></u>	\$ <u><u>(15)</u></u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
LAW ENFORCEMENT TRAINING
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Federal/state grants	\$ 10,000	\$ 10,000	\$	\$ (10,000)
Charges for services			8,396	8,396
TOTAL REVENUES	<u>10,000</u>	<u>10,000</u>	<u>8,396</u>	<u>(1,604)</u>
EXPENDITURES				
Public safety	<u>10,200</u>	<u>10,200</u>	<u>7,016</u>	<u>3,184</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(200)</u>	<u>(200)</u>	<u>1,380</u>	<u>1,580</u>
OTHER FINANCING SOURCES				
Operating transfers in			<u>1,329</u>	<u>1,329</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(200)	(200)	2,709	2,909
FUND BALANCE, JANUARY 1	<u>280</u>	<u>342</u>	<u>342</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 80</u>	<u>\$ 142</u>	<u>\$ 3,051</u>	<u>\$ 2,909</u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FRIEND OF THE COURT
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Federal/state grants	\$ 10,000	\$ 10,000	\$ 3,360	\$ (6,640)
Charges for services	<u>4,000</u>	<u>4,000</u>	<u></u>	<u>(4,000)</u>
TOTAL REVENUES	<u>14,000</u>	<u>14,000</u>	<u>3,360</u>	<u>(10,640)</u>
EXPENDITURES				
Health and welfare	<u>10,000</u>	<u>10,000</u>	<u>4,260</u>	<u>5,740</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,000	4,000	(900)	(4,900)
OTHER FINANCING USES				
Operating transfers out	<u>(18,000)</u>	<u>(18,000)</u>	<u></u>	<u>18,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(14,000)	(14,000)	(900)	13,100
FUND BALANCE, JANUARY 1	<u>19,957</u>	<u>18,571</u>	<u>18,571</u>	<u></u>
FUND BALANCE, DECEMBER 31	<u>\$ 5,957</u>	<u>\$ 4,571</u>	<u>\$ 17,671</u>	<u>\$ 13,100</u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
COUNTY LAW LIBRARY
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Fines and forfeits	\$ <u>4,500</u>	\$ <u>4,500</u>	\$ <u>9,500</u>	\$ <u>5,000</u>
EXPENDITURES				
Judicial	<u>15,000</u>	<u>15,000</u>	<u>11,011</u>	<u>3,989</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,500)	(10,500)	(1,511)	8,989
OTHER FINANCING SOURCES				
Operating transfers in	<u>5,000</u>	<u>5,000</u>	<u> </u>	<u>(5,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(5,500)	(5,500)	(1,511)	3,989
FUND BALANCE, JANUARY 1	<u>11,744</u>	<u>10,914</u>	<u>10,914</u>	<u> </u>
FUND BALANCE, DECEMBER 31	\$ <u><u>6,244</u></u>	\$ <u><u>5,414</u></u>	\$ <u><u>9,403</u></u>	\$ <u><u>3,989</u></u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
CRIME PREVENTION
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Charges for services	\$ 500	\$ 500	\$	\$ (500)
EXPENDITURES				
Public safety	1,800	1,800		1,800
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,300)	(1,300)		1,300
OTHER FINANCING USES				
Operating transfers out			(1,329)	(1,329)
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(1,300)	(1,300)	(1,329)	(29)
FUND BALANCE, JANUARY 1	1,329	1,329	1,329	
FUND BALANCE, DECEMBER 31	\$ 29	\$ 29	\$	\$ (29)

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
CHILD ABUSE
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Federal/state grants	\$ <u>10,000</u>	\$ <u>10,000</u>	\$ <u>4,843</u>	\$ <u>(5,157)</u>
EXPENDITURES				
Public safety	<u>10,000</u>	<u>10,000</u>	<u>5,805</u>	<u>4,195</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES			(962)	(962)
FUND BALANCE, JANUARY 1	<u>100</u>	<u>33,845</u>	<u>33,845</u>	
FUND BALANCE, DECEMBER 31	\$ <u><u>100</u></u>	\$ <u><u>33,845</u></u>	\$ <u><u>32,883</u></u>	\$ <u><u>(962)</u></u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Federal/state grants	\$ <u>350,000</u>	\$ <u>350,000</u>	\$ <u>296,712</u>	\$ <u>(53,288)</u>
EXPENDITURES				
Public safety	<u>400,000</u>	<u>400,000</u>	<u>332,711</u>	<u>67,289</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(50,000)</u>	<u>(50,000)</u>	<u>(35,999)</u>	<u>14,001</u>
OTHER FINANCING SOURCES				
Operating transfers in	<u>48,000</u>	<u>48,000</u>	<u>48,000</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(2,000)</u>	<u>(2,000)</u>	<u>12,001</u>	<u>14,001</u>
FUND BALANCE, JANUARY 1	<u>6,141</u>	<u>7,880</u>	<u>7,880</u>	
FUND BALANCE, DECEMBER 31	\$ <u><u>4,141</u></u>	\$ <u><u>5,880</u></u>	\$ <u><u>19,881</u></u>	\$ <u><u>14,001</u></u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
CHILD CARE - PROBATE COURT
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Federal/state grants	\$ 230,000	\$ 230,000	\$ 17,317	\$ (212,683)
Charges for services	60,000	60,000	137,415	77,415
Other revenues	10,000	10,000	7,640	(2,360)
Interest on investments	1,200	1,200	591	(609)
TOTAL REVENUES	<u>301,200</u>	<u>301,200</u>	<u>162,963</u>	<u>(138,237)</u>
EXPENDITURES				
Health and welfare	<u>710,000</u>	<u>760,000</u>	<u>730,689</u>	<u>29,311</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(408,800)</u>	<u>(458,800)</u>	<u>(567,726)</u>	<u>(108,926)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	350,000	500,000	517,830	17,830
Operating transfers out	<u>(30,000)</u>	<u>(30,000)</u>		<u>30,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>320,000</u>	<u>470,000</u>	<u>517,830</u>	<u>47,830</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(88,800)	11,200	(49,896)	(61,096)
FUND BALANCE, JANUARY 1	<u>145,147</u>	<u>79,127</u>	<u>79,127</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 56,347</u>	<u>\$ 90,327</u>	<u>\$ 29,231</u>	<u>\$ (61,096)</u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
CHILD CARE - D.S.S.
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Charges for services	\$ 130,000	\$ 130,000	\$ 18,638	\$ (111,362)
Other revenues	10,000	10,000		(10,000)
TOTAL REVENUES	<u>140,000</u>	<u>140,000</u>	<u>18,638</u>	<u>(121,362)</u>
EXPENDITURES				
Health and welfare	<u>310,000</u>	<u>310,000</u>	<u>141,265</u>	<u>168,735</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(170,000)</u>	<u>(170,000)</u>	<u>(122,627)</u>	<u>47,373</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	120,000	120,000	126,198	6,198
Operating transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(19,830)</u>	<u>170</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>100,000</u>	<u>100,000</u>	<u>106,368</u>	<u>6,368</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(70,000)</u>	<u>(70,000)</u>	<u>(16,259)</u>	<u>53,741</u>
FUND BALANCE, JANUARY 1	<u>102,392</u>	<u>98,363</u>	<u>98,363</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 32,392</u>	<u>\$ 28,363</u>	<u>\$ 82,104</u>	<u>\$ 53,741</u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
SOLDIERS' AND SAILORS' RELIEF
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Other revenues	\$ <u>2,000</u>	\$ <u>5,000</u>	\$ <u>4,226</u>	\$ <u>(774)</u>
EXPENDITURES				
Health and welfare	<u>48,000</u>	<u>51,000</u>	<u>47,019</u>	<u>3,981</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(46,000)</u>	<u>(46,000)</u>	<u>(42,793)</u>	<u>3,207</u>
OTHER FINANCING SOURCES				
Operating transfers in	<u>41,564</u>	<u>41,564</u>	<u>41,564</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(4,436)	(4,436)	(1,229)	3,207
FUND BALANCE, JANUARY 1	<u>4,597</u>	<u>4,403</u>	<u>4,403</u>	
FUND BALANCE, DECEMBER 31	\$ <u><u>161</u></u>	\$ <u><u>(33)</u></u>	\$ <u><u>3,174</u></u>	\$ <u><u>3,207</u></u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
VETERANS' TRUST
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Federal/state grants	\$ 6,000	\$ 6,000	\$	\$ (6,000)
Other revenues			3,520	3,520
TOTAL REVENUES	<u>6,000</u>	<u>6,000</u>	<u>3,520</u>	<u>(2,480)</u>
EXPENDITURES				
Health and welfare	<u>7,000</u>	<u>7,000</u>	<u>3,256</u>	<u>3,744</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,000)	(1,000)	264	1,264
FUND BALANCE, JANUARY 1	<u>1,261</u>	<u>622</u>	<u>622</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 261</u>	<u>\$ (378)</u>	<u>\$ 886</u>	<u>\$ 1,264</u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
AMBULANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Property tax revenue	\$ <u>244,000</u>	\$ <u>244,000</u>	\$ <u>241,275</u>	\$ <u>(2,725)</u>
EXPENDITURES				
Health and welfare	<u>244,000</u>	<u>244,000</u>	<u>241,295</u>	<u>2,705</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES			(20)	(20)
FUND BALANCE, JANUARY 1	<u>842</u>	<u>897</u>	<u>897</u>	
FUND BALANCE, DECEMBER 31	\$ <u><u>842</u></u>	\$ <u><u>897</u></u>	\$ <u><u>877</u></u>	\$ <u><u>(20)</u></u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
SENIOR CITIZEN FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Property tax revenue	\$ <u>478,500</u>	\$ <u>478,500</u>	\$ <u>473,066</u>	\$ <u>(5,434)</u>
EXPENDITURES				
Health and welfare	<u>478,500</u>	<u>478,500</u>	<u>469,253</u>	<u>9,247</u>
EXCESS OF REVENUES OVER EXPENDITURES			3,813	3,813
FUND BALANCE, JANUARY 1	<u>155</u>	<u>48</u>	<u>48</u>	
FUND BALANCE, DECEMBER 31	\$ <u><u>155</u></u>	\$ <u><u>48</u></u>	\$ <u><u>3,861</u></u>	\$ <u><u>3,813</u></u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
BUILDING INSPECTION
FOR THE YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Charges for services	\$ 540,000	\$ 540,000	\$ 474,709	\$ (65,291)
EXPENDITURES				
Public safety	540,000	540,000	522,180	17,820
Other	27,000	27,000		27,000
TOTAL EXPENDITURES	567,000	567,000	522,180	44,820
DEFICIENCY OF REVENUES OVER EXPENDITURES	(27,000)	(27,000)	(47,471)	(20,471)
FUND BALANCE, JANUARY 1	32,037	46,208	46,208	
FUND BALANCE, DECEMBER 31	\$ 5,037	\$ 19,208	\$ (1,263)	\$ (20,471)

DEBT SERVICE FUNDS

Debt Service Funds are established to finance and account for the payments of interest and principal on all general obligation debt other than that payable exclusively from revenue bonds issued for and serviced by a governmental enterprise.

The County's Debt Service Funds are legal in nature. They are established in accordance with statutes and/or bond indentures. Their use enhances the attractiveness of bonds to prospective buyers resulting, possibly, in a lower rate of interest. Inclusion of Debt Service Fund provisions in the indenture indicates to the buyer that the timing of the acquisition of assets with which to satisfy maturing debt has been formalized and that a sophisticated administrative approach to servicing the debt will be followed.

The County's Debt Service Funds consist of the BPW #1 Village of Litchfield, BPW #2 Townships of Jefferson and Pittsford, BPW #6 Village of Jonesville and F.I.A. Building Authority Debt.

HILLSDALE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
DECEMBER 31, 2003

	BPW #1 VILLAGE OF LITCHFIELD	BPW #2 TOWNSHIPS OF JEFFERSON AND PITTSFORD	BPW #6 VILLAGE OF JONESVILLE	F.I.A. BUILDING AUTHORITY DEBT	TOTAL
ASSETS					
Due from other funds	\$ <u>673</u>	\$ <u>70</u>	\$ <u>31</u>	\$ <u>35</u>	\$ <u>809</u>
LIABILITIES AND EQUITY					
EQUITY					
Fund balance					
Unreserved - undesignated	\$ <u>673</u>	\$ <u>70</u>	\$ <u>31</u>	\$ <u>35</u>	\$ <u>809</u>

HILLSDALE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
FOR THE YEAR ENDED DECEMBER 31, 2003

	BPW #1 VILLAGE OF LITCHFIELD	BPW #2 TOWNSHIPS OF JEFFERSON AND PITTSFORD	BPW #6 VILLAGE OF JONESVILLE	F.J.A. BUILDING AUTHORITY DEBT	TOTAL
REVENUES					
Contributions from local units	\$ 136,230	\$ 99,274	\$ 102,710	\$ 124,963	\$ 463,177
Interest on investments	<u>45</u>	<u>8</u>	<u>8</u>	<u>11</u>	<u>72</u>
TOTAL REVENUES	<u>136,275</u>	<u>99,282</u>	<u>102,718</u>	<u>124,974</u>	<u>463,249</u>
EXPENDITURES					
Principal	110,000	87,000	35,000	80,000	312,000
Interest and fiscal charges	<u>26,231</u>	<u>12,449</u>	<u>67,710</u>	<u>89,919</u>	<u>196,309</u>
TOTAL EXPENDITURES	<u>136,231</u>	<u>99,449</u>	<u>102,710</u>	<u>169,919</u>	<u>508,309</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>44</u>	<u>(167)</u>	<u>8</u>	<u>(44,945)</u>	<u>(45,060)</u>
OTHER FINANCING SOURCES					
Operating transfers in				44,942	44,942
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	44	(167)	8	(3)	(118)
FUND BALANCE, JANUARY 1	<u>629</u>	<u>237</u>	<u>23</u>	<u>38</u>	<u>927</u>
FUND BALANCE, DECEMBER 31	\$ <u><u>673</u></u>	\$ <u><u>70</u></u>	\$ <u><u>31</u></u>	\$ <u><u>35</u></u>	\$ <u><u>809</u></u>

CAPITAL PROJECTS FUNDS

Capital Projects Funds are designed to account for the resources expended to acquire assets of a relatively permanent nature. These funds satisfy the special accounting requirements for bond proceeds and projects utilizing more than one funding source.

Capital Projects Funds provide a formal mechanism which enables administrators to ensure that revenues dedicated to a certain purpose are used only for that purpose and further enables them to report to creditors, and other grantors of Capital Projects Funds revenue, that their requirements regarding the use of the revenue were fully satisfied.

The County's Capital Projects Funds consist of BPW #1 Village of Litchfield Construction, BPW #2 Townships of Jefferson and Pittsford Construction, and F.I.A. Building Authority Construction.

HILLSDALE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
DECEMBER 31, 2003

	BPW #1 VILLAGE OF LITCHFIELD CONSTRUCTION	BPW #2 TOWNSHIPS OF JEFFERSON AND PITTSFORD CONSTRUCTION	F.I.A. BUILDING AUTHORITY CONSTRUCTION	TOTAL
ASSETS				
Due from other funds	\$ <u>17</u>	\$ <u>6</u>	\$ <u>6,309</u>	\$ <u>6,332</u>
LIABILITIES AND EQUITY				
EQUITY				
Fund balance				
Unreserved - undesignated	\$ <u>17</u>	\$ <u>6</u>	\$ <u>6,309</u>	\$ <u>6,332</u>

HILLSDALE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2003

	BPW #1 VILLAGE OF LITCHFIELD CONSTRUCTION	BPW #2 TOWNSHIPS OF JEFFERSON AND PITTSFORD CONSTRUCTION	F.I.A. BUILDING AUTHORITY CONSTRUCTION	TOTAL
REVENUES				
Contributions from local units	\$	\$	\$	\$
Interest on investments	1	3,853 12	70 46	3,923 59
TOTAL REVENUES	<u>1</u>	<u>3,865</u>	<u>116</u>	<u>3,982</u>
EXPENDITURES				
Capital outlay		7,173	130	7,303
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	1	(3,308)	(14)	(3,321)
FUND BALANCE, JANUARY 1	<u>16</u>	<u>3,314</u>	<u>6,323</u>	<u>9,653</u>
FUND BALANCE, DECEMBER 31	\$ <u><u>17</u></u>	\$ <u><u>6</u></u>	\$ <u><u>6,309</u></u>	\$ <u><u>6,332</u></u>

PERMANENT FUNDS

Permanent Funds are established to administer resources received and held by a governmental unit as the trustee or as the agent for others. Use of the funds facilitates the discharge of responsibilities placed upon the governmental unit by virtue of law or other similar authority.

In this category, Hillsdale County administers the transactions of the Permanent Fund, Cemetery Trust Fund, M.C.F. Endowment Fund, and the Carl Gilmore Trust.

HILLSDALE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUNDS
DECEMBER 31, 2003

	CEMETERY TRUST	M.C.F. ENDOWMENT	CARL GILMORE TRUST	TOTAL
ASSETS				
Due from other funds	\$ 134	\$ 381	\$ 46	\$ 561
Investments	<u>100</u>	<u>2,000</u>		<u>2,100</u>
TOTAL ASSETS	\$ <u>234</u>	\$ <u>2,381</u>	\$ <u>46</u>	\$ <u>2,661</u>
LIABILITIES AND EQUITY				
EQUITY				
Fund balance				
Unreserved - undesignated	\$ <u>234</u>	\$ <u>2,381</u>	\$ <u>46</u>	\$ <u>2,661</u>

HILLSDALE COUNTY, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003

	CEMETERY TRUST	M.C.F. ENDOWMENT	CARL GILMORE TRUST	TOTAL
REVENUES				
Interest on investments	\$ 4	\$	\$	\$ 4
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	4			4
FUND BALANCE, JANUARY 1	230	2,381	46	2,657
FUND BALANCE, DECEMBER 31	\$ 234	\$ 2,381	\$ 46	\$ 2,661

ENTERPRISE FUNDS

Enterprise Funds are used to account for the acquisition, operation and maintenance of governmental facilities and services which are entirely or predominately self-supporting by user charges. The significant characteristic of Enterprise Funds is that the accounting system must make it possible to show whether the activity is operated at a profit or loss, similar to comparable private enterprise. Thus, the reports of Enterprise Funds are self-contained and creditors, legislators or the general public can evaluate the performance of the municipal enterprise on the same basis as they can the performance of investor-owned enterprises in the same industry.

The County operates its Medical Care Facility Fund, Emergency Service Fund, E-911 Emergency Fund, Geographic Information Systems Fund, and Delinquent Tax Revolving Funds as Enterprise Funds.

HILLSDALE COUNTY, MICHIGAN

COMBINING BALANCE SHEET

OTHER ENTERPRISE FUNDS

DECEMBER 31, 2003

	EMERGENCY SERVICE	GEOGRAPHIC INFORMATION SYSTEMS	UMBRELLA TAX PAYMENT
CURRENT ASSETS			
Cash and cash equivalents	\$	\$ 72,221	\$ 19,109
Accounts receivable			
Prepaid expenses		295	
TOAL ASSETS	\$	\$ 72,516	\$ 19,109
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accrued expenses	\$	\$	\$ 4,155
Accounts payable			
TOTAL LIABILITIES			4,155
FUND EQUITY			
Retained earnings			
Restricted by statute	\$	\$	\$
Unrestricted		72,516	14,954
TOTAL RETAINED EARNINGS		72,516	14,954
TOTAL LIABILITIES AND FUND EQUITY	\$	\$ 72,516	\$ 19,109

1997 TAX PAYMENT	1998 TAX PAYMENT	1999 TAX PAYMENT	2000 TAX PAYMENT	TOTAL
\$ 21,893 5,898	\$ 54,238 11,677	\$ 72,874 3,556	\$ 185,164 16,137	\$ 425,499 37,268 295
<u>\$ 27,791</u>	<u>\$ 65,915</u>	<u>\$ 76,430</u>	<u>\$ 201,301</u>	<u>\$ 463,062</u>
\$	\$	\$	\$	\$
	233	28	1,137	4,183 1,370
	233	28	1,137	5,553
\$	\$	\$	\$	\$
27,791	65,682	42,343 34,059	75,214 124,950	117,557 339,952
27,791	65,682	76,402	200,164	457,509
<u>\$ 27,791</u>	<u>\$ 65,915</u>	<u>\$ 76,430</u>	<u>\$ 201,301</u>	<u>\$ 463,062</u>

HILLSDALE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	EMERGENCY SERVICE	GEOGRAPHIC INFORMATION SYSTEMS	UMBRELLA TAX PAYMENT
REVENUES			
Township shared cost revenue	\$	\$ 59,597	\$
Interest on taxes			
Other		565	
TOTAL REVENUES		60,162	
EXPENSES			
Operating	416	100,344	20
NET OPERATING REVENUES (LOSS)	(416)	(40,182)	(20)
TRANSFERS			
Transfers in		75,000	
Transfers out			(150,000)
TOTAL TRANSFERS IN (OUT)		75,000	(150,000)
NET INCOME (LOSS)	(416)	34,818	(150,020)
RETAINED EARNINGS, JANUARY 1	416	37,698	164,974
PRIOR PERIOD ADJUSTMENT			
RETAINED EARNINGS, DECEMBER 31	\$	\$ 72,516	\$ 14,954

1997 TAX PAYMENT	1998 TAX PAYMENT	1999 TAX PAYMENT	2000 TAX PAYMENT	TOTAL
\$	\$	\$	\$	\$
13	524	1,538	110,197	59,597
1	285	1,415	127,536	112,272
14	809	2,953	237,733	129,802
		830	26,887	301,671
14	809	2,123	210,846	128,497
				173,174
(30,000)			(330,000)	75,000
(30,000)			(330,000)	(510,000)
(29,986)	809	2,123	(119,154)	(435,000)
57,777	64,873	74,279	325,318	(261,826)
			(6,000)	725,335
\$ 27,791	\$ 65,682	\$ 76,402	\$ 200,164	(6,000)
				\$ 457,509

HILLSDALE COUNTY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	EMERGENCY SERVICE	GEOGRAPHIC INFORMATION SYSTEMS	UMBRELLA TAX PAYMENT
CASH FLOWS FROM OPERATING ACTIVITIES			
Telephone surcharge collections	\$	\$ 59,597	\$
Payments received from other units		565	
Payments to suppliers	(416)	(87,219)	4,135
Payments to employees		(13,468)	
Delinquent tax collections			20,466
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(416)</u>	<u>(40,525)</u>	<u>24,601</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in		75,000	
Transfers out			(150,000)
Payments on notes payable			
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES		<u>75,000</u>	<u>(150,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments			
Interest expense			
NET CASH PROVIDED BY INVESTING ACTIVITIES			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(416)	34,475	(125,399)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>416</u>	<u>37,746</u>	<u>144,508</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$</u>	<u>\$ 72,221</u>	<u>\$ 19,109</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (416)	\$ (40,182)	\$ (20)
Adjustments to reconcile net income to net cash provided by operating activities:			
Accounts receivable			
Change in assets and liabilities			
Decrease in delinquent taxes receivable			20,466
Decrease in due from State of Michigan			
Increase in prepaid expenses		(295)	
Increase (decrease) in accounts payable		(48)	4,155
Decrease in accrued interest			
Decrease in interfund overdrafts - pooled cash			
TOTAL ADJUSTMENTS		<u>(343)</u>	<u>24,621</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (416)</u>	<u>\$ (40,525)</u>	<u>\$ 24,601</u>

1997 TAX PAYMENT	1998 TAX PAYMENT	1999 TAX PAYMENT	2000 TAX PAYMENT	TOTAL
\$	\$	\$	\$	\$
			2,872	59,597
		(774)	(90,476)	3,437
<u>11,905</u>	<u>5,729</u>	<u>7,073</u>	<u>364,788</u>	(174,750)
<u>11,905</u>	<u>5,729</u>	<u>6,299</u>	<u>277,184</u>	(13,468)
				409,961
				284,777
(30,000)				75,000
			(330,000)	(510,000)
			(500,000)	(500,000)
(30,000)				
			(830,000)	(935,000)
			750,000	750,000
			(12,020)	(12,020)
			737,980	737,980
(18,095)	5,729	6,299	185,164	87,757
<u>39,988</u>	<u>48,509</u>	<u>66,575</u>		<u>337,742</u>
\$ <u>21,893</u>	\$ <u>54,238</u>	\$ <u>72,874</u>	\$ <u>185,164</u>	\$ <u>425,499</u>
\$ <u>14</u>	\$ <u>809</u>	\$ <u>2,123</u>	\$ <u>210,846</u>	\$ <u>173,174</u>
11,891	4,920	4,120	127,055	168,452
			2,872	2,872
		56		(295)
			1,136	5,299
			6,020	6,020
<u>11,891</u>	<u>4,920</u>	<u>4,176</u>	<u>(70,745)</u>	<u>(70,745)</u>
\$ <u>11,905</u>	\$ <u>5,729</u>	\$ <u>6,299</u>	\$ <u>277,184</u>	\$ <u>284,777</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are established to finance and account for services and/or commodities furnished by a designated program to other programs within the County. Since the services and commodities are supplied exclusively to programs under the County's jurisdiction, they are distinguishable from those services which are rendered to the public in general and which are accounted for in General, Special Revenue or Enterprise Funds.

The County's Self Insurance Fund, and Sheriff Department Retirement Fund are operated as Internal Service Funds.

HILLSDALE COUNTY, MICHIGAN
 COMBINING BALANCE SHEET
 INTERNAL SERVICE FUNDS
 DECEMBER 31, 2003

	SELF INSURANCE	SHERIFF DEPARTMENT RETIREMENT	TOTAL
ASSETS			
Due from other funds	\$ <u>4,499</u>	\$ <u>35,777</u>	\$ <u>40,276</u>
LIABILITIES AND FUND EQUITY			
FUND EQUITY			
Retained earnings			
Unreserved	\$ <u>4,499</u>	\$ <u>35,777</u>	\$ <u>40,276</u>

HILLSDALE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	SELF INSURANCE	SHERIFF DEPARTMENT RETIREMENT	TOTAL
REVENUES			
Interest on investments	\$	\$ (3,153)	\$ (3,153)
Other revenue	<u>80,264</u>	<u>305,225</u>	<u>385,489</u>
TOTAL REVENUE	<u>80,264</u>	<u>302,072</u>	<u>382,336</u>
EXPENSES			
Retirement		295,228	295,228
Insurance claims	<u>128,833</u>		<u>128,833</u>
TOTAL EXPENSES	<u>128,833</u>	<u>295,228</u>	<u>424,061</u>
NET INCOME (LOSS)	(48,569)	6,844	(41,725)
RETAINED EARNINGS, JANUARY 1	<u>53,068</u>	<u>28,933</u>	<u>82,001</u>
RETAINED EARNINGS, DECEMBER 31	<u>\$ 4,499</u>	<u>\$ 35,777</u>	<u>\$ 40,276</u>

HILLSDALE COUNTY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	SELF INSURANCE	SHERIFF DEPARTMENT RETIREMENT	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before operating transfers	\$ (48,569)	\$ 6,844	\$ (41,725)
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Due to other funds	<u>(4,499)</u>	<u>(35,777)</u>	<u>(40,276)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(53,068)</u>	<u>(28,933)</u>	<u>(82,001)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(53,068)	(28,933)	(82,001)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>53,068</u>	<u>28,933</u>	<u>82,001</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ <u><u> </u></u>	\$ <u><u> </u></u>	\$ <u><u> </u></u>

HILLSDALE COUNTY, MICHIGAN
 RECONCILIATION OF CASH AND CASH EQUIVALENTS PER
 STATEMENT OF CASH FLOWS TO THE COMBINING BALANCE SHEET
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003

	CASH	INVESTMENT	STATEMENT OF CASH FLOWS TOTAL
CASH AND CASH EQUIVALENTS, JANUARY 1	\$ 82,001	\$	\$ 82,001
NET DECREASE	<u>(82,001)</u>	<u></u>	<u>(82,001)</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$</u>	<u>\$</u>	<u>\$</u>

FIDUCIARY FUNDS

HILLSDALE COUNTY, MICHIGAN

COMBINING BALANCE SHEET

FIDUCIARY FUNDS

DECEMBER 31, 2003

	TRUST AND AGENCY	LIBRARY PENAL FINES	TOTAL
ASSETS			
Cash and cash equivalents	\$ <u>925,372</u>	\$ <u>109,271</u>	\$ <u>1,034,643</u>
LIABILITIES			
Accounts payable	\$ 166,863	\$	\$ 166,863
Due to state of Michigan	274,957		274,957
Due to federal government	39,279		39,279
Due to other taxing units	(111,152)		(111,152)
Undistributed tax collections	409,276		409,276
Bonds and deposits	152,056		152,056
Undistributed penal fines	<u>(5,907)</u>	<u>109,271</u>	<u>103,364</u>
TOTAL LIABILITIES	\$ <u>925,372</u>	\$ <u>109,271</u>	\$ <u>1,034,643</u>

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	BALANCE, JANUARY 1	ADDITIONS	DEDUCTIONS	BALANCE, DECEMBER 31,
TRUST AND AGENCY				
ASSETS				
Cash and cash equivalents	\$ <u>1,052,862</u>	\$ <u>27,342,263</u>	\$ <u>27,469,753</u>	\$ <u>925,372</u>
LIABILITIES				
Accounts payable	\$ (29,151)	\$ 502,271	\$ 306,257	\$ 166,863
Due to state of Michigan	601,495	11,362,570	11,689,108	274,957
Due to federal government	39,298	3,575,840	3,575,859	39,279
Due to other taxing units	(60,943)	437,391	487,600	(111,152)
Undistributed tax collections	408,662	11,302,927	11,302,313	409,276
Bonds and deposits	93,314	507,278	448,536	152,056
Undistributed penal fines	187	135,359	141,453	(5,907)
TOTAL LIABILITIES	\$ <u>1,052,862</u>	\$ <u>27,823,636</u>	\$ <u>27,951,126</u>	\$ <u>925,372</u>
LIBRARY PENAL FINES				
ASSETS				
Cash and cash equivalents	\$ <u>114,005</u>	\$ <u>200,305</u>	\$ <u>205,039</u>	\$ <u>109,271</u>
LIABILITIES				
Undistributed penal fines	\$ <u>114,005</u>	\$ <u>200,305</u>	\$ <u>205,039</u>	\$ <u>109,271</u>
TOTAL-ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ <u>1,166,867</u>	\$ <u>27,542,568</u>	\$ <u>27,674,792</u>	\$ <u>1,034,643</u>
LIABILITIES				
Accounts payable	\$ (29,151)	\$ 502,271	\$ 306,257	\$ 166,863
Due to state of Michigan	601,495	11,362,570	11,689,108	274,957
Due to federal government	39,298	3,575,840	3,575,859	39,279
Due to other taxing units	(60,943)	437,391	487,600	(111,152)
Undistributed tax collections	408,662	11,302,927	11,302,313	409,276
Bonds and deposits	93,314	507,278	448,536	152,056
Undistributed penal fines	114,192	335,664	346,492	103,364
TOTAL LIABILITIES	\$ <u>1,166,867</u>	\$ <u>28,023,941</u>	\$ <u>28,156,165</u>	\$ <u>1,034,643</u>

GENERAL LONG-TERM DEBT ACCOUNT GROUP

General obligation bonds and other forms of long-term debt supported by general revenues are obligations of the governmental unit as a whole and not its individual constituent funds. Also, the proceeds of such debt may be spent on facilities, which are utilized in the operations of several funds. For these reasons, the amount of such unmatured long-term indebtedness is recorded and accounted for in a separate self-balancing group of accounts titled "General Long-Term Debt Account Group."

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF GENERAL LONG-TERM DEBT
GENERAL LONG-TERM DEBT ACCOUNT GROUP
DECEMBER 31, 2003

AVAILABLE IN DEBT SERVICE FUNDS	\$ 809
AMOUNT TO BE PROVIDED BY OTHER GOVERNMENTAL UNITS AND OTHER GOVERNMENTAL FUNDS FOR PAYMENT OF GENERAL LONG-TERM DEBT	4,247,191
AMOUNT TO BE PROVIDED BY COUNTY FOR ACCUMULATED VACATION AND SICK PAY	<u>116,090</u>
TOTAL	\$ <u><u>4,364,090</u></u>
GENERAL LONG-TERM DEBT PAYABLE	
Hillsdale County, Water Supply and Distribution System #1 (Village of Jonesville) bonds	\$ 1,220,000
Hillsdale County, Sanitary Sewage Disposal System #7 (Townships of Pittsford and Jefferson) bonds	213,000
Hillsdale County, Sanitary Sewage Disposal System (City of Litchfield) bonds	1,255,000
Hillsdale County, F.I.A. Building Authority bonds payable	1,560,000
Accumulated unpaid vacation and sick pay	<u>116,090</u>
TOTAL	\$ <u><u>4,364,090</u></u>

COMPONENT UNITS

A discretely presented component unit is an entity that is legally separate from the County, but for which the County is financially accountable or its relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete.

The County's Drain Special Assessment Fund, Drain Revolving Fund, Lake Level Special Assessment Fund, Lake Level Revolving Fund, Drain Equipment Revolving Fund, Drain Construction Debt, Drain Construction, Parks Commission, and Road Commission are discretely presented component units.

HILLSDALE COUNTY, MICHIGAN

COMPONENT UNITS

COMBINING BALANCE SHEET

DECEMBER 31, 2003

	<u>SPECIAL REVENUE</u>		<u>DRAINAGE DISTRICTS</u>	
	<u>HILLSDALE COUNTY PARKS COMMISSION</u>	<u>HILLSDALE COUNTY ROAD COMMISSION</u>	<u>DEBT SERVICE DRAIN CONSTRUCTION DEBT</u>	<u>CAPITAL PROJECTS DRAIN SPECIAL ASSESSMENT</u>
ASSETS				
Cash and cash equivalents	\$ 47,667	\$ 188,656	\$ 304	\$ 291,533
Accounts receivable		899,163		
Taxes receivable				241,920
Interest receivable	43	409		
Inventories		741,702		
Prepaid insurance		3,769		
Deferred expense - federal and state aid		3,475		
Property, plant and equipment (net)				
Due from other funds				
TOTAL ASSETS	<u>\$ 47,710</u>	<u>\$ 1,837,174</u>	<u>\$ 304</u>	<u>\$ 533,453</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Advance from general fund	\$	\$	\$	\$
Accounts payable	2,197	105,179		
Due to other funds	7,280			339,411
Accrued expenses	1,353	225,635		
Escrow deposits		9,150		
Advances and deferred revenue	2,895	198,861		
Bonds and notes payable		53,944		
TOTAL LIABILITIES	<u>13,725</u>	<u>592,769</u>		<u>339,411</u>
FUND EQUITY				
Retained earnings				
Reserved for inventories		741,702		
Unreserved				
Designated for future operations		243,200		
Undesignated	33,985	259,503	304	194,042
TOTAL FUND EQUITY	<u>33,985</u>	<u>1,244,405</u>	<u>304</u>	<u>194,042</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 47,710</u>	<u>\$ 1,837,174</u>	<u>\$ 304</u>	<u>\$ 533,453</u>

CAPITAL PROJECTS				INTERNAL SERVICE	TOTAL COMPONENT UNITS
DRAIN REVOLVING	LAKE LEVEL SPECIAL ASSESSMENT	LAKE LEVEL REVOLVING	DRAIN CONSTRUCTION	DRAIN EQUIPMENT REVOLVING	
77	\$ 89,076	\$ 15,252	\$ 937	\$ 67,233	\$ 700,735
	40,975				899,163
					282,895
					452
					741,702
					3,769
					3,475
				428,419	428,419
339,411		3,228			342,639
<u>339,488</u>	<u>\$ 130,051</u>	<u>\$ 18,480</u>	<u>\$ 937</u>	<u>\$ 495,652</u>	<u>\$ 3,403,249</u>
339,488	\$	\$ 18,480	\$	\$	\$ 357,968
	3,228				107,376
					349,919
					226,988
					9,150
					201,756
				75,968	129,912
<u>339,488</u>	<u>3,228</u>	<u>18,480</u>		<u>75,968</u>	<u>1,383,069</u>
				419,684	419,684
					741,702
	126,823		937		243,200
	126,823		937		615,594
				419,684	2,020,180
<u>339,488</u>	<u>\$ 130,051</u>	<u>\$ 18,480</u>	<u>\$ 937</u>	<u>\$ 495,652</u>	<u>\$ 3,403,249</u>

HILLSDALE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>SPECIAL REVENUE</u>		<u>DRAINAGE DISTRICTS</u>	
	<u>HILLSDALE COUNTY PARKS COMMISSION</u>	<u>HILLSDALE COUNTY ROAD COMMISSION</u>	<u>DEBT SERVICE DRAIN CONSTRUCTION DEBT</u>	<u>CAPITAL PROJECTS DRAIN SPECIAL ASSESSMENT</u>
REVENUES				
Special assessment	\$	\$		\$ 280,943
Charges for services	34,135	1,425,956		
Operating grants and contributions	26,900	5,242,960		
Capital grants and contributions	1,400	547,903		
Proceeds from disposition of capital assets		85,000		
Proceeds from bonds				
Interest on investments	1,073	17,714	4	4,399
TOTAL REVENUES	<u>63,508</u>	<u>7,319,533</u>	<u>4</u>	<u>285,342</u>
EXPENDITURES				
Operating expenses	80,622	7,352,338		
Capital outlay	20,979			
Construction				248,443
TOTAL EXPENDITURES	<u>101,601</u>	<u>7,352,338</u>		<u>248,443</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(38,093)	(32,805)	4	36,899
FUND BALANCE, JANUARY 1	72,078	1,277,210	300	(83,998)
PRIOR PERIOD ADJUSTMENT				241,141
FUND BALANCE, DECEMBER 31	\$ <u>33,985</u>	\$ <u>1,244,405</u>	\$ <u>304</u>	\$ <u>194,042</u>

DRAINAGE DISTRICTS

CAPITAL PROJECTS

DRAIN REVOLVING	LAKE LEVEL SPECIAL ASSESSMENT	LAKE LEVEL REVOLVING	DRAIN CONSTRUCTION	TOTAL COMPONENT UNITS
\$	\$ 8,774	\$	\$ 75	\$ 289,792
				1,460,091
				5,269,860
				549,303
				85,000
			35,000	35,000
	1,395		44	24,629
	10,169		35,119	7,713,675
				7,432,960
				20,979
	13,748		38,820	301,011
	13,748		38,820	7,754,950
	(3,579)		(3,701)	(41,275)
	81,446		4,638	1,351,674
	48,956			290,097
\$	\$ 126,823	\$	\$ 937	\$ 1,600,496

HILLSDALE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN RETAINED EARNINGS
COMPONENT UNITS
INTERNAL SERVICE - DRAIN EQUIPMENT REVOLVING FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

REVENUES	
Equipment rental	\$ 63,430
Interest on investments	900
TOTAL REVENUES	64,330
EXPENDITURES	
Operating expenses - depreciation	70,408
DEFICIENCY OF REVENUES OVER EXPENDITURES	(6,078)
RETAINED EARNINGS, JANUARY 1	291,110
PRIOR PERIOD ADJUSTMENT	134,652
RETAINED EARNINGS, DECEMBER 31	\$ 419,684

HILLSDALE COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
COMPONENT UNITS
INTERNAL SERVICE - DRAIN EQUIPMENT REVOLVING
FOR THE YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (6,078)
Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation	70,408
Interfund overdrafts - pooled cash	(219)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>64,111</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on bonds payable	<u>(41,596)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(51,200)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(28,685)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>95,918</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 67,233</u></u>

Layton & Richardson, P.C.

Certified Public Accountants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
County of Hillsdale
Hillsdale, Michigan

We have audited the financial statements of the COUNTY OF HILLSDALE, Michigan as of and for the year ended December 31, 2003, and have issued our report thereon dated May 14, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County of Hillsdale, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of County of Hillsdale in a separate letter dated May 14, 2004.

This report is intended for the information of the management and the Board of Commissioners. However, this report is a matter of public record and its distribution is not limited.

Layton & Richardson, P.C.

Certified Public Accountants

East Lansing, Michigan
May 14, 2004

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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Board of Commissioners
County of Hillsdale
Hillsdale, Michigan

Compliance

We have audited the compliance of the COUNTY OF HILLSDALE, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. The County of Hillsdale, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Hillsdale, Michigan's management. Our responsibility is to express an opinion on the County of Hillsdale, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about the County of Hillsdale, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Hillsdale, Michigan's compliance with those requirements.

In our opinion, the County of Hillsdale, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the County of Hillsdale, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of County of Hillsdale in a separate letter dated May 14, 2004.

This report is intended for the information of the management, the Board of Commissioners and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
May 14, 2004

HILLSDALE COUNTY, MICHIGAN
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2003

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR NUMBER
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed-through: Michigan Department of Social Services - Title IV-D Child Support Cooperative Reimbursement Friend of the Court	93.563	CS-91-051
Prosecuting Attorney Cooperative Reimbursement	93.563	CS-91-050
Title IV-D Incentive Program	93.560	
Youth in Transition	93.674	
M.O.S.T	93.561	
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Passed-through: Community Action Agency Community Development Grant	14.228	MSC-20010727-HOA
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>		
Passed-through: Michigan Department of State Police - H.O.R.N.E.T. Enhancement Project	84.186	70103-4K95 70103-4K96
Emergency Management Performance Grant	83.552	
<u>U.S. DEPARTMENT OF JUSTICE</u>		
Passed-through: Office of Community Oriented Police Services COPS Universal Hiring Award	16.710	
Domestic Preparedness Program	16.007	

FROM	GRANT PERIOD TO	CURRENT REVENUE RECOGNIZED	CURRENT EXPENDITURES
10/1/02	09/30/03	\$ 191,939	\$ 191,939
10/1/03	09/30/04	<u>65,775</u>	<u>65,775</u>
		<u>257,714</u>	<u>257,714</u>
10/1/02	09/30/03	23,572	23,572
10/1/03	09/30/04	<u>9,288</u>	<u>9,288</u>
		<u>32,860</u>	<u>32,860</u>
10/1/02	09/30/03	20,035	20,035
10/1/03	09/30/04	<u>2,435</u>	<u>2,435</u>
		<u>22,470</u>	<u>22,470</u>
10/1/02	09/30/03	<u>2,241</u>	<u>2,241</u>
10/1/02	09/30/03	49,007	49,007
10/1/03	09/30/04	<u>2,460</u>	<u>2,460</u>
		<u>51,467</u>	<u>51,467</u>
01/01/02	12/31/03	<u>127,660</u>	<u>127,660</u>
10/1/02	09/30/03	11,551	11,551
10/1/03	09/30/04	<u>4,689</u>	<u>4,689</u>
		<u>16,240</u>	<u>16,240</u>
10/1/02	09/30/03	<u>3,479</u>	<u>3,479</u>
08/01/02	07/31/05	<u>110,793</u>	<u>110,793</u>
05/01/03	12/31/03	<u>56,907</u>	<u>56,907</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ <u>681,831</u>	\$ <u>681,831</u>

HILLSDALE COUNTY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2003

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the County of Hillsdale.
2. No reportable conditions relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the County of Hillsdale were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported.
5. The auditor's report on compliance for the major federal award programs for the County of Hillsdale expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for the County of Hillsdale.
7. The programs tested as major programs included: Title IV-D Cooperative Reimbursement, CFDA No. 93.563.
8. The threshold for distinguishing Types A and B programs was \$300,000.00.
9. The County of Hillsdale was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None.

HILLSDALE COUNTY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2003

PROGRAM	FINDINGS/ NONCOMPLIANCE	QUESTIONED COSTS
Title IV-D Child Support Enforcement (CFDA No. 93.563) for Friend of the Court and Prosecuting Attorney Cooperative Reimbursement	Several reports were filed after the due dates. This is mostly due to the fact that the reports are due to the State by the 15th day of the following month and that is not enough time to close the books and do the report.	0



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AUDITORS' LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Commissioners
Hillsdale County
Hillsdale, Michigan

We have audited the general purpose financial statements of Hillsdale County for the year ended December 31, 2003, and have issued our report on those statements. As part of the audit process, we tested and evaluated the system of internal accounting control and the procedures used to record the financial transactions of Hillsdale County. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

The management of Hillsdale County is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation of the internal accounting control system would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Hillsdale County.

PRIOR YEAR RECOMMENDATIONS

ACCOUNT RECONCILIATION

The cash account for Friend of the Court is not being reconciled on a regular basis. We recommend that this account be reconciled on a monthly basis. This will provide better controls over cash and is especially important due to the volume of transactions in this account.

We noted during our audit that this account is still not reconciled on a monthly basis. The County has asked the State of Michigan for help. The State is currently in the process of reconciling the cash account.

COUNTY CLERK

Payroll and Cash Disbursements

We noted during our audit that both payroll and disbursement checks are returned to the individual who created the checks after they are signed. The checks should be put in envelopes and delivered by someone other than the person who prepares and processes the checks. This will ensure better control over cash.

We noted during our audit that this has not been corrected and is a recommendation for the current year.

MEDICAL CARE FACILITY

Payroll

Not all deduction authorization forms are kept in the employees' files. A copy of all authorized deductions should be kept in the employees' files. This will ensure compliance with Michigan laws governing employers making deductions from employees' paychecks.

This has been implemented.

Cash Disbursements

We noted during our audit that the person creating the disbursement checks also prepares them for mailing. We recommend that the signed checks be compared with the invoices by management and be mailed out by a person independent of the cash disbursement functions. This would prevent the creator from removing checks from the batch after they already have the signature applied.

We noted during our audit that this has not been corrected and is a recommendation for the current year.

DISTRICT COURT

Cash Disbursements

Blank checks and the cash register are accessible to every one in the office. There should be a limit on the number of individuals who have access to blank checks and the cash register. This will assure proper control over the cash.

We noted during our audit that this has not been corrected and is a recommendation for the current year.

Payroll

Employees of the District Court are allowed to use flex time. If they come in early or stay late, they are able to take that time off at a later date. Each employee keeps track of their own unused flex time. The County should contact their labor attorney and verify that the County is following all labor laws when using this system. If flex time is allowed, all departments should follow a County wide policy and someone other than the employee should keep track of the flex hours available.

We noted during our audit that this has not been corrected and is a recommendation for the current year.

SHERIFF - JAIL

Cash Disbursements

Numerous individuals have access to the cash box. There should be a limit on the number of individuals who have access to the cash box. This will ensure proper control over cash.

We noted during our audit that this has been corrected.

Numerous individuals are authorized to sign checks. We recommend two signatures be required on all checks. This will ensure proper control over cash.

In prior years we have recommended that the number of authorized signers be limited to no more than four people. We noted during our audit that this had not been corrected. We are modifying our recommendation in an effort to provide another option that may be more easily implemented.

911 DEPARTMENT

Cash Receipts

Checks are not being endorsed when the mail is opened. We recommend that checks immediately be stamped "For Deposit Only" with the County Treasurer's bank account information. Also someone independent of preparing the deposit should take it to the Treasurer's office. This will increase controls over cash receipts and prevent theft of the checks.

This has been implemented.

Cash and checks are kept out in the open until the deposit is taken to the Treasurer's Office. We recommend the cash and checks be kept in a locked drawer or cabinet. This will prevent the chance of fraud or theft, and increase controls over cash receipts.

This has been implemented.

The current receipt for cash from the Freedom Information Request is a letter. We recommend using a receipt book as well. This will provide a better paper trail for cash receipts, prevent fraud, and improve controls over cash receipts.

We noted during our audit that this has not been corrected and is a recommendation for the current year.

Cash and checks are taken to the Treasurer's office and are totaled there. We recommend creating a daily sheet or deposit sheet when the cash and checks are received. This will increase controls over cash receipts as it will allow a comparison from when the cash/checks are totaled at 911 to when the cash/checks are received at the Treasurer's office.

We noted during our audit that this has not been corrected and is a recommendation for the current year.

Some checks for Telephone Surcharge do not have any backup records other than the transmittal. We recommend making a copy of checks that do not come with letters. This will increase controls and provide better records.

This has been implemented.

EQUALIZATION DEPARTMENT

Checks are stamped "For Deposit Only" after they are matched up with the customer's bill. We recommend checks be stamped "For Deposit Only" immediately after receipt. We also recommend that someone independent of preparing the deposit be responsible for taking the deposit to the Treasurer's office. This will provide better controls over cash receipts.

This has been implemented.

DRAIN DEPARTMENT

Cash and checks are not posted to the computer system until the 10th of each month. Also, any cash receipts received after the 20th are held until the 1st of the month. We recommend cash/checks be posted when the money is received. This will improve cash receipts. Also, under U.S. generally accepted accounting principles, income is required to be recognized when it is received.

This has been implemented.

BUILDING DEPARTMENT

Checks are not stamped "For Deposit Only" until after a receipt and permit has been issued. We recommend checks be stamped "For Deposit Only" immediately after receipt. Due to the departments policy on returning checks to the customer if they are written for an incorrect amount, we recommend the checks be stamped "For Deposit Only" immediately after reviewing the application and writing the permit, before the receipt is issued. This will improve controls over cash receipts.

We noted during our audit that this has not been corrected and is a recommendation for the current year.

CURRENT YEAR RECOMMENDATIONS

ALL DEPARTMENTS – BANK STATEMENTS

We noted during our audit that bank statements are for periods other than calendar months. We recommend the County request that the bank provide bank statements on a calendar month basis. This will facilitate bank reconciliation.

CLERK'S OFFICE

Cash Disbursements

We noted during our audit testing of disbursement checks that not all invoices are cancelled upon payment. We recommend that all invoices be stamped paid or be otherwise cancelled immediately upon payment. This will help assure that duplicate payments are not made.

Cash Receipts

We noted during our audit testing of receipts that checks received through the mail are not stamped "For Deposit Only" immediately upon receipt. We recommend that all checks be stamped "For Deposit Only" immediately upon opening the mail. This will help prevent theft and provide improved controls over cash receipts.

Payroll

We noted during our audit that several employee files did not contain current wage information. We recommend authorized pay rate information be updated and maintained in employees' files. This will create accurate and current records and improve controls over payroll.

We also noted that not all employee files contained current W-4 forms. We recommend new W-4 forms be obtained from employees every three years at the minimum. This will provide accurate and current records and improve controls over payroll.

We noted that employee files do not contain deduction authorization forms, whether original or copy. We recommend the original, or a copy, of all deduction authorization forms be included in the employee files. This will help assure compliance with Michigan laws regarding employee deductions from payroll checks.

DISTRICT COURT

Cash Receipts

We noted during our audit that a receipt was issued to an individual even though money was not received by the District Court office. The money was exchanged between two individuals. We recommend that receipts only be issued for receipts actually received by the District Court. This will facilitate reconciliation of receipts and provide better controls over cash receipts.

TREASURER'S DEPARTMENT

Account Detail

We noted during our audit that fund 616 (Delinquent Tax Fund) had accounts with balances for which there was no supporting detail available. Adequate supporting documentation should be maintained for account balances. We recommend that these accounts be examined, reconciled and adjusted as appropriate and supporting documentation be maintained for remaining balances. This will help assure the integrity of the accounting system. We understand that the Treasurer's Department is in the process of implementing this recommendation.

We are grateful to the County employees for the assistance and cooperation we received during the audit and we thank them.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
May 14, 2004